HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
SEPTEMBER 23, 2015
APPLICATION SUMMARY

NAME OF PROJECT: Chattanooga Endoscopy Center

PROJECT NUMBER: CN1506-024

ADDRESS: 1501 Riverside Drive, Suite 117
Chattanooga (Hamilton County), Tennessee 37406

LEGAL OWNER: The Chattanooga Endoscopy ASC, LLC
1A Burton Hills Boulevard
Nashville (Davidson County), Tennessee 37215

OPERATING ENTITY: AmSurg Corp
1A Burton Hills Boulevard
Nashville, Tennessee 37215

CONTACT PERSON: John Wellborn
(615) 665-2002

DATE FILED: June 10, 2015

PROJECT COST: $8,623,911

FINANCING: Commercial Loan

PURPOSE OF REVIEW: The relocation of an existing single specialty ambulatory surgical treatment center (ASTC) and the expansion from 3 to 5 procedure rooms with a 6th room shelled in for future expansion at a construction cost in excess of $2 million.

DESCRIPTION:

Chattanooga Endoscopy Center is seeking approval to relocate its existing single specialty ambulatory surgical treatment center (ASTC) originally approved in The Center for Digestive Disorders and Clinical Research, P.C., CN9608-060A, located in approximately 5,790 square feet (SF) of space at 2341 McCallie Avenue, Suite 303, Chattanooga (Hamilton County), Tennessee to a 17,510 SF facility in an existing building at 1501 Riverside Drive, Suite 117 in Chattanooga, a distance of

approximately 3 miles. As part of the project, the applicant will expand from 3 procedure rooms to 5 rooms (with a 6th room to be shelled in for future use) in order to meet its current and projected growth in patient volumes at the new facility. The applicant expects to renovate and equip the new facility at a construction cost of approximately $3,464,500.00.

SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW

Ambulatory Surgical Treatment Centers (*Revised May 23, 2013*)

The following apply:

1. Need. The minimum numbers of 884 Cases per Operating Room and 1867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need.[2] An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

   The applicant is seeking approval to relocate its existing single specialty ASTC with 3 procedure rooms approved in CN9608-060A to a larger facility with 5 procedure rooms and an additional 6th room for future use should caseloads continue to increase. Chattanooga Endoscopy Center's newly expanded 15-person medical staff projects performing approximately 11,442 cases in Year 1 in its new facility, an average of 2,288 cases per room per year or approximately 123% of the 1,867/room minimum standard for procedure rooms.

   It appears this criterion has been met.

2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

Based on an average of 35 total minutes per procedure, the projected surgical hours will be 6,675 hours in Year 1 increasing by approximately 58 hours or 1% to 6,734 hours in Year 2.

It appears this criterion has been met.

3. Need; Economic Efficiencies; Access. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available[3]) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

The applicant has provided a utilization table of all ASTCs that perform endoscopies in the proposed service area for 2012, 2013 and 2014. The tables are located on pages 40-R and 41 of the application in the information provided for Section C, Need, Item 5.

It appears this criterion has been met.

Note to Agency members: Agency staff received a copy of the documentation between the applicant and the Tennessee Department of Health in Supplemental 1 that confirms the applicant is in process of correcting utilization reported in the 2014 Joint Annual Report. Additionally, the applicant provided a June 15, 2015 letter from the Administrator of the Associates of Memorial/Mission Outpatient Surgery Center in Chattanooga indicating that the ASTC plans to cease business operations on June 24, 2015 and become a hospital outpatient department (HOPD) of CHI Memorial Hospital effective June 29, 2015.

However, review of the TDH Licensed Facilities Report on September 1, 2015 revealed that the license of the multi-specialty ASTC presently remains active.

4. Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

Note to Agency members:

For a dedicated outpatient operating room:

- *Full Capacity is defined as 1,263 cases per year.*
- *Optimum Capacity is defined as 70% of full capacity, or 884 cases per year.*

For a dedicated outpatient procedure room:

- *Full Capacity is defined as 2,667 cases per year.*
- *Optimum capacity is defined as 70% of full capacity, or 1,867 cases per year.*

Based on publically available data on the utilization of ASTC's that perform endoscopies, the applicant's existing single specialty ASTC and 3 multi-specialty ASTCs were operational in the Tennessee primary service area in 2014 (3 in Hamilton County and 1 in Bradley County). Clarification of the utilization of the Tennessee facilities by type room in fiscal year (FY) 2104 was provided in the table on page 10 of Supplemental 1. The results are summarized below.

Combined Utilization in CEC's Tennessee Service Area, FY 2014

ASTC	OR Rooms	Proc. Rooms	OR Cases	OR Cases (per room)	as a % of 884/RM standard	Proc. Cases	Proc. Case (per room)	as a % of 1,867/Rm standard
Applicant	0	2	NA	NA	NA	2,332	1,166	62.5%
Associates of Memorial	4	3	4,940	1,235	140%	6,417	2,139	115%
Physicians Surg. Ctr.	4	2	2,356	589	67%	1,028	514	28%
Surg. Ctr. Of Cleveland	2	2	5,000	2,500	283%	350	175	9.4%
Total	10	9	12,296	1,230	139%	10,127	1,125	60.3%

The table reflects the following:

- *The applicant's single-specialty ASTC performs only endoscopy surgical cases. With 2 of 3 procedure rooms (PRs) operational in fiscal year 2014 performed 2,332 endoscopy cases for an average of 1,166 cases per room or 62.5% of the optimum utilization standard.* ***Note: since 2014, the applicant has expanded its medical staff from 4 to 15 physicians and placed its 3rd procedure room in operation in early 2015. CEC projects 5,890 total cases by 2015 calendar year end for an average of 1,963 cases per room or approximately 105% of the 1,867 optimal utilization standard.***
- *Other than the applicant's single-specialty ASTC, there were 3 multi-specialty ASTCs containing 10 operating and 7 procedure rooms in operation in the Tennessee PSA in 2014. Approximately 8,974 endoscopy cases or 44.7% of 20,091 total surgical cases were performed at the 3 facilities in 2014.*
- *HSDA staff calculated 2014 service area utilization at 60.3% of optimum utilization capacity for procedure rooms (1,867 cases/room), and 139% of optimum capacity for operating rooms (884 Cases per Operating Room).*

Hutchinson Medical Center in Walker County, Georgia was also included in the inventory of surgical providers located in the applicant's PSA. Using data from the Georgia Department of Community Health, the applicant estimates that endoscopy utilization accounted for approximately 25% or less of total patient volumes in 2014.

Based on the table above, only 1 of 4 ASTCs located in the Tennessee PSA met the optimum procedure room utilization standard, while the combined utilization was approximately 60.3% of the standard. Two of the 3 multi-specialty ASTCs exceeded the optimum operating room utilization standard during the period.

It appears that this criterion is <u>not met</u>.

5. <u>Need and Economic Efficiencies.</u> An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services

of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

The applicant's single-specialty ASTC limited to outpatient gastroenterology cases expects to perform 11,442 cases in Year One and 11,542 cases in Year 2, based on 8 hours per day, 250 days per year. All cases will be performed in a procedure room. The projected utilization is 2,284 cases per procedure room in Year 1 or approximately 123% of the optimal procedure room standard. There is no other existing single specialty ASTCs of this type in the service area.

There are a total of 3 multi-specialty ASTCs that also perform endoscopy surgical cases in the service area representing a total of 10 ORs and 7 procedure rooms. The 3 multi-specialty ASTCs provided 8,974 endoscopy surgical cases representing 44.7% of their 20,091 total surgical procedures in 2014. HSDA staff calculated 2014 utilization at 60.3% of the utilization standard for ASTCs with procedure rooms (1,867 Cases per Procedure Room), and 139% of the utilization standard for ASTCs that include operating rooms (884 Cases per Operating Room).

Since only 1 of 3 multi-specialty ASTCs are meeting the optimum utilization standard for procedure rooms and 2 of 3 meet the standard for operating rooms, it appears that this criterion has not been met.

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

The majority of patients reside within 60 minutes of the facility.

It appears this criterion has been met.

7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available

Public transportation is available to the applicant's proposed location on Riverside Drive in Chattanooga.

It appears this criterion has been met.

8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The majority of patients originate in Hamilton, Bradley and Marion Counties in Tennessee and Walker and Catoosa Counties in Georgia. Residents of these areas account for approximately 84% of the applicant's total caseload in 2014. A patient origin chart was provided on page 37 of the application that details the current and projected patient origin of the Chattanooga Endoscopy Center.

It appears this criterion has been met.

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

Projected utilization ranges from 2,860 cases in the first quarter to 2,886 cases in the eighth quarter. The projection for Year 1 is based on estimates provided by the applicant's medical staff. The estimate for Year 2 was determined by the applicant based on a minimal (1%) increase distributed evenly throughout the year. ***Note: as discussed in the response for Item 4 above of the standard and in other parts of the HSDA staff summary, the applicant has expanded its medical staff from 4 to 15 physicians resulting in a high increase in utilization that is nearing capacity of the existing 3 procedure single-specialty ASTC. If the project is approved, the applicant's physicians have identified the ability to perform 11,422 total endoscopy cases in Year 1 increasing to 11,542 total cases in Year 2 at the new 5 procedure room ASTC. A letter in the original application documenting the medical staff's projected utilization as well as additional clarification on page 9 of Supplemental 1 attests to these developments.***

It appears this criterion has been met.

10. Patient Safety and Quality of Care; Health Care Workforce.

a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care (AAAHC), the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

The applicant is currently accredited by the Accreditation Association of Ambulatory Health Care (AAAHC) and is committed to maintaining the accreditation.

It appears this criterion has been met.

b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

In 2015, the applicant's medical staff increased from 4 to 15 gastroenterologists. In addition to customary credentialing requirements, CEC requires that physicians applying for surgical or anesthesia privileges be board certified or board eligible in his/her medical specialty. Of the 15 physicians, 12 have ownership interests in the ASTC.

It appears this criterion has been met.

11 Access to ASTCs. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services

Administration;

In Tennessee, parts of Hamilton County (15) and Bradley County (5) are designated medically underserved areas (MUA). Marion County is a single county designated MUA. In Georgia, parts of Catoosa County (1) and Walker County (3) are designated MUAs.

Note: MUA designation is determined by the Health Resources and Services Administration, U.S. Department of Health and Human Services.

It appears this criterion has been met.

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;

Since the applicant is not a hospital, this standard is not applicable to this proposed project.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

Approximately 32% and 5% of the applicant's patients are enrolled in Medicare and TennCare, respectively. The applicant has contracts with 3 of 4 TennCare MCOs available in the service area. Per Item 4.b of Supplemental 1, the applicant is awaiting acceptance of a contract offer by the fourth MCO (Amerigroup).

It appears this criterion has been met.

d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

Not applicable. The proposed endoscopy case times are not higher than the criterion.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT OF HEALTH CARE INSTITUTIONS

2. For relocation or replacement of an existing licensed health care institution:

   a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

   The applicant evaluated the alternative of renovating its existing facility and determined that relocation to a new building in larger leased space in a "hospital neutral location" is the best solution. In 2015, the applicant placed its 3rd of 3 procedure rooms in service and expanded the number of pre and post op stations. The applicant states that all available space in the existing facility is now being used to accommodate the rapid escalation in utilization as new members of the medical staff transferred their cases to CEC.

   It appears that the applicant meets this criterion.

   b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

   The applicant points to a high increase in endoscopy procedures at levels that exceed the capacity of the existing facility's 3 procedure rooms, pre/post op areas, and other support areas of the ASTC. As clarified in the tables on pages 8 and 9 of Supplemental 1, the applicant expects utilization to increase from 2,152 procedures in CY2014 by approximately 174% to 5,890 procedures in CY2015. The applicant has provided a signed letter from members of its medical staff that estimates it can perform approximately 11,422 cases at the new facility in CY2017 (Year 1). Based on 5 of the 6 proposed procedure rooms in service, projected utilization amounts to 2,284 procedures/room or approximately 123% of the 1,867 optimal standard for procedure rooms.

   It appears that the application meets this criterion.

3. For renovation or expansions of an existing licensed health care institution:

   a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

These criteria do not apply to the project.

STAFF SUMMARY

Note to Agency members: This staff summary is a synopsis of the original application and supplemental responses submitted by the applicant. Any HSDA Staff comments will be presented as a "Note to Agency members" in bold italic.

The applicant, Chattanooga Endoscopy Center (CEC), seeks Certificate of Need approval to relocate its existing single specialty ASTC for the provision of endoscopic procedures approved in The Center for Digestive Disorders and Clinical Research, PC, CN9608-060A from 2341 McCallie Avenue, Plaza 3, Suite 303 in Chattanooga (Hamilton County), Tennessee to leased space on the first floor of The Riverside Business Center at 1501 Riverside Drive, Suite 117 in Chattanooga, a distance of approximately 3 miles. As part of the project, the applicant plans to renovate the new, larger leased facility at a construction cost of approximately $3,464,500 in order to expand from the 3 procedure rooms approved in CN9608-060A to the 6 procedure rooms proposed in this CON application (1 of the 6 procedure rooms will be shelled in for future expansion.

History

Chattanooga Endoscopy Center (CEC), formerly known as The Center for Digestive Disorders and Clinical Research, has operated for approximately 17 years at its current location. The applicant received CON approval in CN9806-020A for the establishment of an ASTC with 3 procedure rooms for the provision of endoscopic procedures. In 2015, the applicant increased its medical staff from 4 to 15 board certified/ board eligible gastroenterologists leading to a significant growth in patient caseloads at CEC and expansion and renovation of the existing facility to place all available space into service. Examples of developments in 2015 include the following:

- CEC's utilization is expected to increase by approximately 174% from 2,152 procedures in calendar year (CY) 2014 to 5,890 procedures in CY2015.
- The applicant renovated and expanded the existing facility in early 2015 from approximately 2,500 SF to 5,950 SF at a renovation cost of approximately $375,000, resulting in the addition of a 3rd procedure

and pre and post operating spaces. Related equipment purchases amounted to approximately $750,000.

- As of July 2015, the applicant will have expanded and renovated all space available at its current location and anticipates reaching full surgical capacity by year end 2015. Even at full capacity, the applicant's existing facility can only accommodate approximately 66% of the surgical cases of its new medical staff physicians.
- An overview of the project is provided on pages 5-11 of the original application.

Growth of Applicant's Medical Staff

The applicant discusses the recent addition of 9 new physicians to CEC. As of July 2015, the single specialty ASTC's medical staff has expanded from 4 to 15 board certified or board eligible gastroenterologists, of which 12 hold a combined 65% majority interest in the Chattanooga Endoscopy ASC, LLC (applicant's owner). These developments are discussed in detail on pages 13 -15 of the application. A key development leading to the addition of the new physicians at CEC stems from the recent closure of a multi-specialty ASTC where these physicians performed endoscopy outpatient surgical cases over the years (The Associates of Memorial/Mission Outpatient Surgery Center) as well as other facilities in the applicant's service area. As noted in the application and supplemental response, the multi-specialty ASTC ceased business operations in June and became a hospital outpatient department (HOPD) of CHI Memorial Hospital effective June 29, 2015.

Note to Agency Members: A letter dated June 15, 2015 from Brent McLean, Administrator, confirms the ASTC's closure and transfer to CHI Memorial Hospital. The change in licensure status of the former ASTC has not yet been posted on the Tennessee Department of Health, Division of Health Care Facilities website. A copy of the letter is provided at the back of Supplemental 1. As a result of this change, former physician members and owners of the multi-specialty ASTC have concentrated a large portion of their outpatient cases at CEC and now hold ownership interests in the applicant LLC.

As noted in the application and Supplemental 1, CEC physicians had a total patient base of approximately 31,837 patients in 2014. The names of CEC medical staff physician members, locations of their practices and status of their surgical privileges at area ASTCs and hospitals is provided in a table following page 4 of the June 22, 2015 supplemental response. Only 1 of the 15 members holds privileges at a facility outside of Hamilton County.

Owner and Manager of the Facility

The owner of the applicant facility is Chattanooga Endoscopy ASC, LLC, a Tennessee registered limited liability company (LLC) formed in July 1999. The manager is AmSurg Holdings, Inc. (AmSurg) based in Nashville, Tennessee. Review of the fully executed and signed Articles of Organization dated 7/29/1999 revealed that the owner is managed by a board of governors with authority to appoint or designate mangers of the LLC to perform duties assigned by the board. Highlights of the ownership and management structure of CEC are noted below.

- The LLC has 13 members, including AmSurg Holdings, Inc. and 12 Tennessee licensed physicians.
- AmSurg is a Delaware corporation formed in 1995 and was the original majority member of the owner LLC. AmSurg has centers in 23 states across the nation. A list of the centers is provided in the attachments.
- Ownership was restructured in 2015 with AmSurg scaling back its 51% majority interest to a 35% minority interest in the interest of welcoming and accommodating new physicians at CEC.
- The 12 physician members of the owner LLC now hold a 65% combined majority interest in equal shares.
- The names and ownership interest of each member of the owner LLC is identified in Table 2-C on page 10 of the application.
- AmSurg has been the designated manager of the applicant ASTC since 2001.
- The management contract of the facility was recently amended and restated in February 2015 as a result of the recent growth in medical staff and ownership re-structuring.

Facility Information

- The applicant will lease a 13,510 square feet (SF) suite on the 1st floor of the Riverside Business Center.
- Review of Exhibit A in attachment B.II.A and the architect's plot plan in Attachment B.III revealed the business center is a 1-story, 136,775 SF rentable SF building. It is located on a 10.9 acre site between Riverside Drive and the Tennessee River.
- The suite will contain 5 procedure rooms with a 6th room shelled in for future use, 11 preparation (pre-op) stations, 12 recovery stations, 2 nursing stations, patient reception/waiting, a patient consultation room and other clinical and staff support areas.
- The remaining 4,010 SF space of the proposed facility is mechanical and electrical room space on a mezzanine/interstitial level above the proposed

ASTC floor. The applicant states that this space is not included in the facility lease payments.

- A floor plan drawing is included on page 8 and Attachment B.IV. in the application.
- There is no major medical equipment involved with this project that requires a Certificate of Need. The applicant will lease minor medical equipment (OR scopes and washers) for $761,200.00.

Need

The applicant is basing the need for the proposed relocation and expansion of its existing, licensed ASTC on the following:

- Accommodate growth in medical staff with corresponding change in ownership structure resulting in 3- fold increase in endoscopy surgical procedures performed at CEC (applicant's 3 procedure room ASTC exceeded optimal 1,867 cases/room utilization standard in mid-2015).
- Existing 17-year old facility is unable to accommodate expansion from 3 to 6 procedure rooms. As of July 2015, applicant has renovated facility to maximum extent possible by placing its 3rd formerly shelled-in procedure room into service and increasing the number of preoperative and recovery stations.
- With 3 procedure rooms, the existing facility is unable to accommodate more than 7,500 endoscopy cases per year (2,500 cases per room).
- CEC medical staff is collectively performing more than 20,000 outpatient endoscopy cases per year at ASTCs and hospitals in Chattanooga and surrounding areas.
- Physicians need CEC to be sized appropriately (2,500 cases per room) to handle the majority of their cases, initially estimated at approximately 11,442 cases per year. The appropriate size needed is at least 5 procedure rooms (11,442/2,500 per room = 5 rooms).
- Changes in physician practice patterns due to provider and physician partnerships (see page 14 of application) focusing on increased productivity, continued improvement in quality of care, lower costs and economies of scale.
- Change in practice pattern from closure of large multi-specialty ASTC in June 2015 (Associates of Memorial Mission Outpatient Surgery Center) to transition patients to hospital outpatient department setting.
- Potential financial impact to Medicare, other health insurance payors and patients. Applicant states that these parties may pay approximately 40% more for the same procedures performed in a hospital outpatient surgery facility.

- Improved physical accessibility from existing facility location on tertiary hospital campus (CHI Memorial Hospital), to new facility on first floor with drive up parking in lieu of hospital shuttle service.

Note to Agency Members: In June 2015, Associates of Memorial/Mission Outpatient Surgery Center, LLC (AMM) closed the business operations of its multi-specialty ASTC and moved outpatient cases to CHI Memorial Hospital (confirmed in Supplemental 1). As a result, CEC's new gastroenterologists that practiced at and had ownership interests in the former multi-specialty ASTC, began transferring their cases to the applicant's single specialty ASTC. The applicant states that the new physicians estimate they could transfer approximately 9,290 cases to CEC, all of which were performed at the former ASTC and CHI Memorial Hospital in 2015.

AMM performed 11,357 total outpatient cases in 2015, of which 6,417 or 56.5% were endoscopy surgical cases. From 2012 to 2014, multi-specialty ASTC experienced a 3.3% decrease in total outpatient surgery cases and a 5.9% decrease in endoscopy cases. Please refer to the Service Area Historical Utilization section of this summary highlighting information from pages 39-41 of the application for additional information and a comparative analysis.

Service Area Demographics

The applicant's declared primary service area consist of Bradley, Hamilton and Marion Counties in Tennessee and Walker and Catoosa Counties in Georgia, residents of whom accounted for approximately 84% of CEC's total patients in calendar year (CY) 2014.

- The total population of the service area is estimated at 616,344 residents in calendar year (CY) 2015 increasing by approximately 1.8% to 627,301 residents in CY 2019.
- The overall statewide population is projected to increase by 3.7% from 2015 -2019.
- The total age 50+ age population, the age cohort most associated with endoscopy procedures, is estimated at 229,805 residents in CY 2015 increasing by approximately 4.8% to 240,715 residents in 2019.
- The 50+ age population of Tennessee is expected to increase 6.1% during the same timeframe.
- The latest 2015 percentage of the proposed service area population enrolled in the TennCare program is approximately 18.8%, compared to 21% statewide.
- Based on information the applicant provided from the Centers for Disease Control and TDH, the incidence rate of colon cancer in the PSA and Tennessee ranges from 40.1-42.6 per 100,000 population and 16.5-19.9 per 100,000 population for deaths from colon cancer. The applicant states that

Tennessee is 1 of 12 states in the highest quartile for deaths from colon cancer.

Sources: Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment, Office of Health Statistics. Colon Cancer incidence & death rates – CDC and TDH data (see table on page 3, Supplemental 1).

Service Area Historical Utilization

According to the Licensed Facilities Report maintained by TDH, there are 10 licensed ASTCs in the 3-county Tennessee portion of the service area. The number of licensed ASTCs will soon decrease once TDH changes the licensure status of the Associates of Memorial/Mission Outpatient Surgery Center (Associates) based on its closure in June 2015. Of the 10 currently licensed ASTCs, 4 reported performing endoscopy cases in the 2014 Joint Annual Report, including the Associates ASTC that closed in June 2015.

The table below reflects the utilization trends for the 4 ASTCs performing endoscopy surgical cases. The utilization is based on fiscal year (FY) data reported by the providers to TDH in their Joint Annual Reports.

Service Area Utilization of ASTCs Performing Endoscopies in PSA, FY 2012-2014

Name	# OR 2014	# PR 2014	Total Cases 2012	Total Cases 2013	Total Cases 2014	Endo Cases 2014	Endo As % of Total Cases 2014	% Change Total Cases 12-14
Associates Mem/Mission *	4	3	11,740	11,491	11,357	6,417	57%	-3.3%
Applicant	0	2	2,215	2,240	2,332	2,332**	100%	5.3%
Physicians Surgery Ctr	4	2	3,317	3,194	3,384	552	16%	2.0%
Surg Ctr of Cleveland	2	1	4,856	5,033	5,350	2,005	38%	10.2%
Total	10	8	22,128	21,958	22,423	11,306	50%	1.3%

*Note: *Closed ASTC in June 2015. **Applicant's revised amount as reported to TDH (see Item 5, Supplemental 1)*

Sources: Joint Annual Report, applicant's internal data

The table above reflects the following:

- All of the applicant's cases were endoscopies in 2014.
- Of the multi-specialty ASTCs, endoscopy procedures accounted for a combined average of approximately 8,874 or 44.7% of their 20,091 total cases in 2014.
- There was a 1.3% combined utilization increase in total outpatient surgery cases in 2014. Of the 4 ASTCs in the applicant's service area, Associates of

Memorial/Mission Outpatient Surgery Center was the only provider that had a decrease in utilization during the period.

Applicant's Historical and Projected Utilization

The applicant's historical and projected utilization is provided in the table below.

CEC Historical and Projected Utilization, CY 2012-CY2018

	CY2012	CY2013	CY2014	% Change '12-'14	CY2015 Projected	CY2016 Projected	% Change '14-'16	CY2017 (Year 1) Projected	CY2018 (Year 2) Projected
Procedure Rooms	2	2	2	NC	3	3	+1 room	5	5
Physician Staff	3	3	4	+1 MD	14	15	+11MD	15	15
Cases	2,280	2,363	2,152	-5.6%	5,890	7,500	+249%	11,442	11,542
Cases/Rm	1,140	1,182	1,076	-5.6%	1,963	2,500	132%	2,288	2,308
% of 1,867 standard	61%	63%	58%	NA	105%	134%	NA	123%	124%

The table above reflects the following:

- Utilization decreased by approximately 5.6% from 2012-2014.
- The applicant projects a 249% increase in utilization from CY 2014 to CY2016 based on the developments previously noted, including the expansion of CEC's medical staff.
- Year 1 and 2 utilization is based on CON approval of the proposed relocation of the 17-year old facility to a larger facility with 5 procedure rooms (a 6th to be shelled in for future use).
- The applicant estimates that utilization of the existing facility with 3 procedure rooms will be at 105% of the 1,867 standard for optimal capacity by CY2015 year-end increasing to 134% in CY 2016.
- Utilization at the proposed new facility with 5 procedure rooms is projected at 123% of the standard in CY2017 (Year1).
- For additional information, please see applicant's table on page 9 of the 6/22/2015 supplemental response.

Project Cost

The total project cost is $8,623,911.00. Major costs are as follows:

- Facility Lease (15 year) - $2,008,863, or 23% of total cost. *Note: for CON purposes, the lease cost is higher than the estimated $806,511 fair market value (FMV) of the proposed facility (page 46 of application and Item 7 of the 6/22/15 supplemental response).*
- Construction Costs for build-out & renovation of new facility – $3,464,500 or 40% of total cost
- Moveable equipment - $1,578,489 or 18% of the total cost.

- For other details on Project Cost, see the Project Cost Chart on page 47 of the application.

Financing

The applicant states that the actual capital outlay needed to support the project amounts to approximately $5,853,848.

- Funding will be provided by AmSurg in the form of a loan to the applicant LLC.
- A letter dated June 1, 2015 from Claire Gumli, CFO and Executive Vice President of AmSurg attests to the availability of a commercial loan to help fund the costs of the project.
- Review of AmSurg's financial statements revealed current assets of $586,687,000 and current liabilities of $286,085 for the fiscal period ending 12/31/2014 for a current ratio of 2.05 to 1.0.

Historical Data Chart

Highlights of the Historical Data Chart in the application reflect the following:

- Gross operating revenue was $3,945,315 on 2,280 cases in CY2012 increasing by less than 1% to $3,958,564 on 2,152 cases in CY2014 ($1,840/case).
- After deductions for contractual allowances, charity and bad debt, net operating revenue decreased by approximately 6.5% from $1,212,596 in CY2012 to $1,132,894 in CY2014 ($526/case).
- Operating expenses averaged approximately $940,000 per year or approximately 23% of average annual gross operating revenue during the period.
- Salaries and wages operating expense accounted for approximately 44.4% of total operating expenses in 2014.
- Net operating income (NOI) was favorable in each of the 3 years noted in the chart at approximately 8.4% of gross operating revenue in 2012 decreasing to 2.5% of gross operating revenue in CY2014.

Projected Data Chart

A revised Projected Data Chart with corrections to "Other Expenses" was provided for Item 8 of the 6/22/15 supplemental response. The Projected Data Chart reflects the following:

- The applicant projects $21,685,100 of total gross operating revenue on 11,422 cases in Year 1 increasing by approximately 1.9% to $22,093,368 on 11,542 cases in Year 2 ($1,914/case).
- Charity Care amounts to $78,247 in Year 2. This amount calculates to approximately 41 cases in Year Two ($78,247/11,542 cases).

- Net operating revenue after bad debt, charity care, and contractual adjustments is expected to reach $821,666 or approximately 44.8% of total gross revenue in Year Two.
- Operating expenses average approximately $4,369,500 per year or approximately 20.2% of gross operating revenue during the period.
- The 2 largest categories of operating expenses include Salaries and Wages and Other Expenses. These costs amount to approximately 37% and 25.6%, respectively, of total operating expenses in Year 2.
- Net operating income less capital expenditures for the applicant will equal $767,919 in Year One increasing to $781,079 in Year Two. The operating margin amounts to approximately 3.5% of gross operating revenue in Year 2.

Charges

In Year One of the proposed project, the average endoscopy charges are as follows:

- The proposed average gross charge is $1,895/case in Year 1 (2017) from approximately $1,840/case in CY2014.
- The average deduction is approximately $1,352/case or approximately 71% of gross operating revenue in Year 1.
- An overview of the applicant's charges, including a comparison to Medicare allowable charges and charges of other similar endoscopy facilities is provided on pages 54 - 56 of the application.

Medicare/TennCare Payor Mix

- TennCare- Charges will equal $1,084,255 in Year One representing 5% of total gross revenue.
- Medicare- Charges will equal $6,939,232 in Year One representing 32% of total gross revenue.

Staffing

The applicant will increase staffing to support the proposed 5 procedure room facility at its new location at the Riverside Business Center in Chattanooga. The facility will be supported by CEC's medical staff physicians (15 presently) and by certified registered nurse anesthetists provided through a contractual arrangement with AmSurg Chattanooga Anesthesia, LLC. In addition to these parties, the applicant proposes to use the following full time equivalent (FTE) direct patient care staff:

- 7 FTE Registered Nurses
- 2 FTE Licensed Practical Nurses
- 14 FTE Endoscopy Techs
- 1 FTE Medical Assistant

Non clinical staff includes the facility administrator, 3 receptionists and 2 schedulers. Overall, CEC will increase its total staffing complement from 17 current FTE to 31 FTE in Year 1.

Licensure/Accreditation

Chattanooga Endoscopy Center is licensed by the Tennessee Department of Health, Division of Health Care Facilities and is accredited by the Accreditation Association for Ambulatory Health Care (AAAHC). The AAAHC award was renewed in March 2015 and expires in March 2018.

Corporate documentation, real estate lease, and detailed demographic information are on file at the Agency office and will be available at the Agency meeting.

Should the Agency vote to approve this project, the CON would expire in **two** years. The applicant seeks to open the ASTC on January 1, 2017.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, denied applications, or outstanding Certificates of Need for this applicant.

AmSurg Corp has a financial interest in this project and the following:

Pending Applications

The Endoscopy Center of Knoxville, CN1508-030, has a pending application that will be heard under Consent Calendar Review at the October 28, 2015 Agency meeting for the relocation of The Endoscopy Center of Knoxville, an existing single specialty ASTC limited to endoscopy, from 801 Weisgarber Road, Suite 100, Knoxville to an unaddressed site in the northwest quadrant of the intersection of Middlebrook Pike and Dowell Springs Boulevard in Knoxville, Tennessee, a distance of approximately 1.4 miles. As a part of the project, the applicant will reduce its existing surgical complement from 8 to 6 procedure rooms. The estimated project cost is **$13,791,719.00.**

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for other health care organizations in the service area proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF

THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PJG; 9/01/2015

LETTER OF INTENT

LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Chattanooga Times Free Press, which is a newspaper of general circulation in Hamilton County, Tennessee, on or before Tuesday, June 9, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that the Chattanooga Endoscopy Center (an ambulatory surgical treatment center, formerly named the Digestive Disorders Endoscopy Center), owned by The Chattanooga Endoscopy ASC, LLC (a limited liability company), and managed by AmSurg Corp (a corporation) intends to file an application for a Certificate of Need to relocate from 2341 McCallie Avenue Plaza 3, Suite 303, Chattanooga, TN 37404, to the Riverside Business Center at 1501 Riverside Drive, Suite 117, Chattanooga, TN 37406, a distance of approximately 3 miles, and to expand its surgical room complement from three (3) procedure rooms to five (5) procedure rooms, with a sixth room shelled in for potential future expansion. The project cost under CON rules is estimated at approximately $8,624,000, which includes space lease payments for fifteen years and the value of equipment being relocated.

This facility is currently licensed by the Board for Licensing Health Care Facilities as a single specialty ambulatory surgical treatment center limited to endoscopy. The relocation will not change the facility's license classification. The project does not contain major medical equipment or initiate or discontinue any other health service; and it will not affect any facility's licensed bed complements.

The anticipated date of filing the application is on or before June 15, 2015. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022.

John L. Wellborn 6-9-15 jwdsg@comcast.net

(Signature) (Date) (E-mail Address)

COPY

-Application

Chattanooga Endoscopy Center

CN1506-024

PART A

1. Name of Facility, Agency, or Institution

Chattanooga Endoscopy Center		
Name		
1501 Riverside Drive, Suite 117		Hamilton
Street or Route		*County*
Chattanooga	TN	37406
City	*State*	*Zip Code*

2. Contact Person Available for Responses to Questions

John Wellborn		Consultant	
Name		*Title*	
Development Support Group		jwdsg@comcast.net	
Company Name		*E-Mail Address*	
4219 Hillsboro Road, Suite 210	Nashville	TN	37215
Street or Route	*City*	*State*	*Zip Code*
CON Consultant	615-665-2022	615-665-2042	
Association With Owner	*Phone Number*	*Fax Number*	

3. Owner of the Facility, Agency, or Institution

The Chattanooga Endoscopy ASC, LLC	615-340-3521	
Name	*Phone Number*	
AmSurg (c/o Jillian Wright, Vice President Operations)		
1A Burton Hills Boulevard		Davidson
Street or Route		*County*
Nashville	TN	37215
City	*State*	*Zip Code*

4. Type of Ownership or Control (Check One)

A. Sole Proprietorship		F. Government (State of TN or Political Subdivision)	
B. Partnership		G. Joint Venture	
C. Limited Partnership		H. Limited Liability Company	x
D. Corporation (For-Profit)		I. Other (Specify):	
E. Corporation (Not-for-Profit)			

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS

5. *Name of Management/Operating Entity (If Applicable)*

AmSurg Corp		
Name		
1A Burton Hills Blvd, Suite 500		Davidson
Street or Route		*County*
Nashville	TN	37215
City	*State*	*Zip Code*

6. *Legal Interest in the Site of the Institution (Check One)*

A. Ownership		D. Option to Lease	
B. Option to Purchase		E. Other (Specify):	
C. Lease of 15 Years	x		

7. *Type of Institution (Check as appropriate—more than one may apply)*

A. Hospital (Specify): General		I. Nursing Home	
B. Ambulatory Surgical Treatment Center (ASTC) Multi-Specialty		J. Outpatient Diagnostic Center	
C. ASTC, Single Specialty	x	K. Recuperation Center	
D. Home Health Agency		L. Rehabilitation Center	
E. Hospice		M. Residential Hospice	
F. Mental Health Hospital		N. Non-Residential Methadone	
G. Mental Health Residential Faclity		O. Birthing Center	
H. Mental Retardation Institutional Habilitation Facility (ICF/MR)		P. Other Outpatient Facility (Specify):	
		Q. Other (Specify):	

8. *Purpose of Review (Check as appropriate—more than one may apply*

A. New Institution		G. Change in Bed Complement Please underline the type of Change: Increase, Decrease, Designation, Distribution, Conversion, Relocation	
B. Replacement/Existing Facility	x	H. Change of Location	x
C. Modification/Existing Facility		I. Other (Specify):	
D. Initiation of Health Care Service as defined in TCA Sec 68-11-1607(4) (Specify)		Increase surgical rooms	x
E. Discontinuance of OB Service			
F. Acquisition of Equipment			

9. *Bed Complement Data* ***NOT APPLICABLE***

(Please indicate current and proposed distribution and certification of facility beds.)

	Current Licensed Beds	CON approved beds (not in service)	Staffed Beds	Beds Proposed (Change)	TOTAL Beds at Completion
A. Medical					
B. Surgical					
C. Long Term Care Hosp.					
D. Obstetrical					
E. ICU/CCU					
F. Neonatal					
G. Pediatric					
H. Adult Psychiatric					
I. Geriatric Psychiatric					
J. Child/Adolesc. Psych.					
K. Rehabilitation					
L. Nursing Facility (non-Medicaid certified)					
M. Nursing Facility Lev. 1 (Medicaid only)					
N. Nursing Facility Lev. 2 (Medicare only)					
O Nursing Facility Lev. 2 (dually certified for Medicare & Medicaid)					
P. ICF/MR					
Q. Adult Chemical Dependency					
R. Child/Adolescent Chemical Dependency					
S. Swing Beds					
T. Mental Health Residential Treatment					
U. Residential Hospice					
TOTAL					

10. Medicare Provider Number:	3288313
Certification Type:	ASTC
11. Medicaid Provider Number:	3099619
Certification Type:	ASTC

12. & 13. See page 4

A.12. IF THIS IS A NEW FACILITY, WILL CERTIFICATION BE SOUGHT FOR MEDICARE AND/OR MEDICAID?

The applicant is an existing facility that already participates in both Medicare and TennCare/Medicaid. The change of site will not impact that because the licensee remains unchanged.

A.13. IDENTIFY ALL TENNCARE MANAGED CARE ORGANIZATIONS / BEHAVIORAL HEALTH ORGANIZATIONS (MCO'S/BHO'S) OPERATING IN THE PROPOSED SERVICE AREA. WILL THIS PROJECT INVOLVE THE TREATMENT OF TENNCARE PARTICIPANTS? Yes IF THE RESPONSE TO THIS ITEM IS YES, PLEASE IDENTIFY ALL MCO'S WITH WHICH THE APPLICANT HAS CONTRACTED OR PLANS TO CONTRACT.

DISCUSS ANY OUT-OF-NETWORK RELATIONSHIPS IN PLACE WITH MCO'S/BHO'S IN THE AREA.

Chattanooga Endoscopy Center is contracted with three of Tennessee's four MCO's. At the time of this application, it has submitted its credentialing application to Amerigroup and is awaiting an agreement.

Table One: Contractual Relationships with Service Area MCO's	
Available TennCare MCO's	**Applicant's Relationship**
AmeriGroup	contract requested and pending
United Healthcare Community Plan	contracted
BlueCare	contracted
TennCare Select	contracted
Georgia Medicaid	contracted

SECTION B: PROJECT DESCRIPTION

B.I. PROVIDE A BRIEF EXECUTIVE SUMMARY OF THE PROJECT NOT TO EXCEED TWO PAGES. TOPICS TO BE INCLUDED IN THE EXECUTIVE SUMMARY ARE A BRIEF DESCRIPTION OF PROPOSED SERVICES AND EQUIPMENT, OWNERSHIP STRUCTURE, SERVICE AREA, NEED, EXISTING RESOURCES, PROJECT COST, FUNDING, FINANCIAL FEASIBILITY AND STAFFING.

Proposed Services and Equipment

- Chattanooga Endoscopy Center ("CEC") is an ambulatory surgical treatment center (ASTC) limited to endoscopy. It has operated for seventeen years at its current location near Parkridge Medical Center. It has three procedure rooms. Its medical staff has almost quadrupled this year--increasing from four to fifteen gastroenterologists. It will be operating at capacity by late 2015, and does not have sufficient capacity for more than 66% of the cases that the medical staff are asking to perform there.

- This application is to relocate a short distance (three miles) to much larger leased space on Riverside Drive in Chattanooga, with five procedure rooms plus one shelled procedure room for future growth. Pre- and post-operative (recovery) stations will also be expanded, as will all support spaces. Accessibility to patients will be improved.

Ownership Structure

- The facility is owned by ~~The Chattanooga Endoscopy Center, ASC, LLC,~~ which has thirteen members. AmSurg Corp, the original majority member of the facility, has a 35% membership interest. Twelve of the fifteen gastroenterologists on the medical staff share the remaining 65% interest in approximately equal percentages. AmSurg has a management contract with the facility.

- Attachment A.4 contains more details, an organization chart, and information on the Tennessee facilities owned by AmSurg.

Service Area

- The project's primary service area, from which approximately 84% of its cases will come, consists of three Tennessee counties (Hamilton; Bradley; Marion) and two Georgia counties (Walker; Catoosa). This reflects the recent historical patient origin of the newly enlarged medical staff.

Need

- The newly expanded medical staff are requesting capacity to perform 11,442 cases at the CEC. AmSurg can reach 2,500 cases per procedure room in optimal conditions in its endoscopy centers; but this will allow only 7,500 cases to be performed at the three-room CEC. At the optimal AmSurg number, 11,442 annual cases will require five rooms (11,442 / 2,500 = 4.6) A complement of 5 finished procedure rooms is being requested.

• Having 5 procedure rooms will be consistent with State Health Plan criteria for an applicant's internal needs. The Plan states that optimal utilization of a dedicated outpatient procedure room is 1,867 cases (70% of full capacity). In Year One at the new location, the CEC will operate at an average of 2,308 cases per room. That is 123.6% of the optimal level in the State Health Plan. It is 86.5% of full capacity (2,667 cases) as defined in the State Health Plan.

• It is timely to propose the relocation and expansion. The CEC has added all the procedure room and pre- and post-recovery spaces available in its current leased space. No other space in its building space is adequate or available for further expansion. Whereas CEC utilization was only 40.8% in 2014, in 2015 CEC utilization has been escalating rapidly. April utilization was 240% of January utilization, as new physicians began moving their cases to the CEC. Cases will continue to increase. In all of 2015, the CEC is projecting almost 2,000 cases per room per year--well above the State Plan expansion benchmark of 1,868 cases per room per year.

Existing Resources

• In the Tennessee portion of the primary service area, there are four ASTC's that report performing endoscopies. Their combined utilization of all surgery rooms (OR's and procedure rooms) increased from 999 cases per room in 2012 to 1,237 cases per room in 2014. That was an increase of approximately 24% in average area utilization.

* In the Georgia primary service area counties, there is one facility that reports endoscopic surgeries--Hutcheson Medical Center in Fort Oglethorpe. That facility, which is in bankruptcy proceedings, has an overall surgical room utilization of 213 cases per surgical room in 2013--a 49% decline in efficiency since 2011.

Project Cost, Funding, Financial Feasibility

• The cost for CON purposes is estimated at $8,623,911. However, that includes the new location's lease expense over fifteen years and the value of equipment being moved to the new location. Excluding these items, the actual new capital cost of this project is estimated at $5,853,848. All of that will be provided in the form of a loan from AmSurg Corp., a 35% minority owner and manager of this facility. CEC reported a positive operating margin in 2014. Continued positive operating margins are anticipated at the new location, with expanded caseloads.

Staffing

• CEC today has seventeen FTE's. In Years One and Two at the new location, the expanded CEC projects having thirty FTE's on staff, with the largest increases being in RN's, LPN's, and endoscopy techs.

B.II. PROVIDE A DETAILED NARRATIVE OF THE PROJECT BY ADDRESSING THE FOLLOWING ITEMS AS THEY RELATE TO THE PROPOSAL.

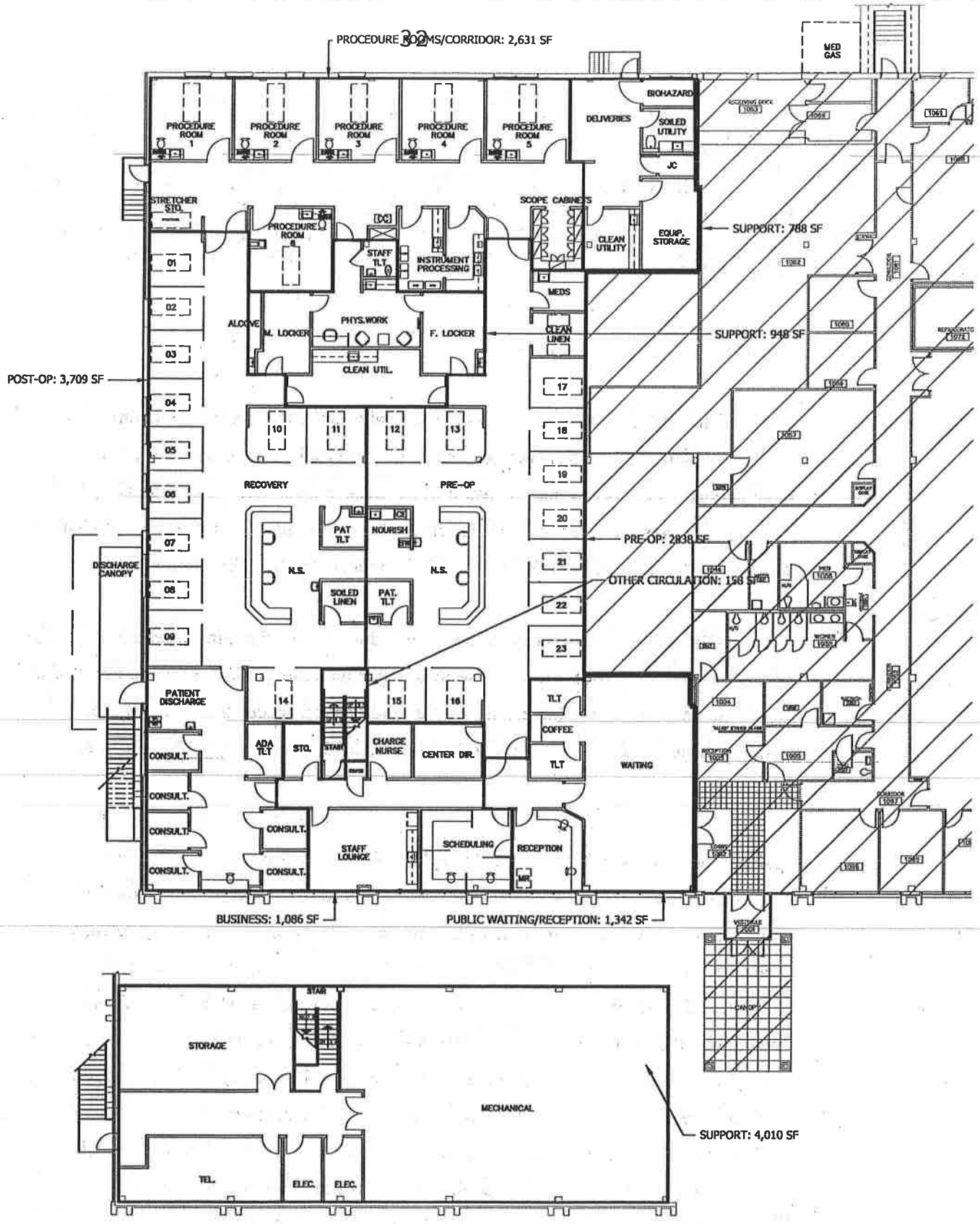
B.II.A. DESCRIBE THE CONSTRUCTION, MODIFICATION AND/OR RENOVATION OF THE FACILITY (EXCLUSIVE OF MAJOR MEDICAL EQUIPMENT COVERED BY T.C.A. 68-11-1601 *et seq.)* INCLUDING SQUARE FOOTAGE, MAJOR OPERATIONAL AREAS, ROOM CONFIGURATION, ETC.

Physical Description of the Project

The applicant facility is a single-specialty ambulatory surgical treatment center limited to endoscopy. It has been located at 2341 McCallie Avenue, Plaza 3, Suite 303 in Chattanooga since its original licensure in 1998, seventeen years ago. Its name prior to June 1, 2015 was the "Digestive Disorders Endoscopy Center". That name was changed this year to "Chattanooga Endoscopy Center" (abbreviated to "CEC" below).

CEC at its present location has 3 procedure rooms, the third of which was made operational in early 2015, in response to a major increase (almost a quadrupling) of its active medical staff. It is increasing its pre- and post-op spaces from 8 to 13 spaces in a building project that will be completed by July 1, 2015, giving it 5,790 SF of space.

In this application, the CEC proposes to move in late 2016 to leased first-floor space at the Riverside Business Center at 1501 Riverside Drive, Suite 117, Chattanooga--a distance of approximately 3 miles from its current location. At the new location, it will have 5 endoscopy procedure rooms plus shelled space for a 6th endoscopy room, with a total space of 17,510 SF--comprised of 13,500 SF of surgery center space on the first floor, plus the use of a 4,010 SF mechanical/electrical room on a "mezzanine" interstitial level above the ASTC floor. (The latter is not leasable for occupancy under codes, so it is not included in the lease document square footage.) It will expand its preparation and recovery areas from its current 5 pre-op stations and 8 recovery stations, to 11 pre-op stations and 12 post-op recovery stations at the new location. The design includes a reception and waiting area, a scheduling room, offices and patient consultation rooms, two nursing stations, and clinical and staff support areas. Its proposed floor plan follows this page. The new location offers both staff and patients much improved parking spaces, and ground-floor entry into the endoscopy center--neither of which is available at its current location.



Digestive Disorders Endoscopy Center Relocation

HMK ARCHITECTS PLLC

JUNE 4, 2015 - PROPOSED PLAN

NOT FOR CONSTRUCTION

17,510 USABLE SF

NOT TO SCALE

Construction Scope and Cost

Tables Two-A and -B below summarize the scope of proposed changes in size and the applicant's build-out/renovation costs at the proposed Riverside Drive location.

Table Two-A: Summary of Construction and Changes in Size	
Facility At Current Site (as of 7-1-15)	5,790 SF
Facility At Proposed New Location	17,510 SF
Area of New Construction	none
Area of Buildout or Renovation	17,510 SF of renovation
Total New & Renovated Construction	17,510 SF of renovation

Table Two-B: Construction Costs of This Project			
	Renovated Construction	**New Construction**	**Total Project**
Square Feet	17,510	none	17,510
Construction Cost	$3,464,500	none	$3,464,500
Constr. Cost PSF	$197.86	none	$197.86

Operational Schedule

CEC will maintain its current operating hours of 7 am to 4 pm, Monday through Friday, throughout the year. Calendar year 2017 is projected to be the first full year of operation at the new location.

Cost and Funding

The cost for CON purposes is estimated at $8,623,911. However, that includes the new location's lease expense over fifteen years and the value of equipment being moved to the new location. Excluding these items, the actual new capital cost of this project is estimated at $5,853,848. All of that will be provided in the form of a loan from AmSurg Corp., a 35% minority owner and manager of this facility.

Because the applicant is including one shelled-in procedure room that may be needed for future expansion, and the date of its opening will depend on future caseloads several years from now, the applicant has included in the project cost the full expense of making that sixth procedure room operational, if and when that occurs.

Ownership

Chattanooga Endoscopy Center will continue to be owned by The Chattanooga Endoscopy ASC, LLC. Membership of the LLC will be unchanged by the relocation. Its members and their interests are shown in Table Two-C below. All physician members are credentialed members of its medical staff, as are three additional non-owning physicians whose names are listed after Table Two-C. Its medical staff totals 15 gastroenterologists, making it the largest gastroenterology staff in its region.

Table Two-C: Membership of The Chattanooga Endoscopy ASC, LLC

Owner's Names	Address	Membership (%)
AmSurg Holdings, Inc.	1A Burton Hills Blvd Nashville, TN 37215	35.000%
1. Sumeet Bhushan, MD	2200 East Third Street, Ste 200 Chattanooga, TN 37404	5.416%
2. Chad Charapta, MD	2201 East Third Street, Ste 200 Chattanooga, TN 37404	5.416%
3. David N. Collins, MD	721 Glenwood Drive, Ste E690 Chattanooga, TN 37404	5.416%
4. Donald Hetzel, MD	2515 DeSales Avenue, Ste 206 Chattanooga, TN 37404	5.416%
5. Scott Manton, MD	2515 DeSales Avenue, Ste 206 Chattanooga, TN 37404	5.416%
6. Gregory Olds, MD	2205 East Third Street, Ste 200 Chattanooga, TN 37404	5.416%
7. Henry Paik, MD	2341 McCallie Avenue, Ste 402 Chattanooga, TN 37404	5.417%
8. Vijay Patel, MD	2515 DeSales Avenue, Ste 206 Chattanooga, TN 37404	5.416%
9.Chattanoga Gastroenterology, PC (Richard Sadowitz, MD)	2341 McCallie Avenue, Ste 400 Chattanooga, TN 37404	5.417%
10. Colleen Schmitt, MD	2209 East Third Street, Ste 200 Chattanooga, TN 37404	5.416%
11. Alan Shikoh, MD	721 Glenwood Drive, Ste W473 Chattanooga, TN 37404	5.416%
12. Larry Shuster, MD	2211 East Third Street, Ste 200 Chattanooga, TN 37404	5.416%

Source: AmSurg

Additional Medical Staff Who Are Not LLC Members:

13. Munford Yates, MD
14. Camille Somer, MD
15. Richard Krause, MD

APPLICANTS WITH HOSPITAL PROJECTS (CONSTRUCTION COST IN EXCESS OF $5 MILLION) AND OTHER FACILITY PROJECTS (CONSTRUCTION COST IN EXCESS OF $2 MILLION) SHOULD COMPLETE THE SQUARE FOOTAGE AND COSTS PER SQUARE FOOTAGE CHART....

See Attachment B.II.A.

PLEASE ALSO DISCUSS AND JUSTIFY THE COST PER SQUARE FOOT FOR THIS PROJECT.

Surgery center construction projects approved by the HSDA in 2011-2013 had the following construction costs per SF:

Ambulatory Surgery Center Construction Cost PSF Years: 2011-2013			
	Renovated Construction	New Construction	Total Construction
1st Quartile	$95.04/sq ft	$174.88/sq ft	$113.55/sq ft
Median	$113.55/sq ft	$223.62/sq ft	$162.00/sq ft
3rd Quartile	$150.00/sq ft	$269.76/sq ft	$223.62/sq ft

Source: HSDA Registry; CON approved applications for years 2011 through 2013

The Chattanooga Endoscopy Center project is above the third quartile for renovation projects at ASTC's. The project's estimated renovation cost is approximately $197.86 PSF overall (for 17,510 SF of space). This is reasonable due to the steady annual increase in construction costs since 2011. The construction will be paid for in 2016, which is four years beyond the midpoint of the HSDA 2011-13 range.

Table Two-B (Repeated): This Project's Construction Costs			
	Renovated Construction	**New Construction**	**Total Project**
Square Feet	17,510	none	17,510
Construction Cost	$3,464,500	none	$3,464,500
Constr. Cost PSF	$197.86	none	$197.86

The HSDA has just released the 2012-2014 ASTC construction cost averages; but there were too few samples to calculate renovation vs. new construction costs.

Ambulatory Surgery Center Construction Cost PSF Years: 2012-2014			
	Renovated Construction	New Construction	Total Construction
1st Quartile	$0/sq ft	$0/sq ft	$113.55/sq ft
Median	$0/sq ft	$0/sq ft	$150.00/sq ft
3rd Quartile	$0/sq ft	$0/sq ft	$174.88/sq ft

Source: HSDA Registry; CON approved applications for years 2012 through 2014

IF THE PROJECT INVOLVES NONE OF THE ABOVE, DESCRIBE THE DEVELOPMENT OF THE PROPOSAL.

Not applicable.

B.II.B. IDENTIFY THE NUMBER AND TYPE OF BEDS INCREASED, DECREASED, CONVERTED, RELOCATED, DESIGNATED, AND/OR REDISTRIBUTED BY THIS APPLICATION. DESCRIBE THE REASONS FOR CHANGE IN BED ALLOCATIONS AND DESCRIBE THE IMPACT THE BED CHANGE WILL HAVE ON EXISTING SERVICES.

Not applicable to an ambulatory surgical treatment facility.

B.II.C. AS THE APPLICANT, DESCRIBE YOUR NEED TO PROVIDE THE FOLLOWING HEALTH CARE SERVICES (IF APPLICABLE TO THIS APPLICATION): (NEW SERVICE LIST OMITTED)....

Not applicable. No services are being added to this facility. This is a relocation of an existing facility with no change in its scope of services.

B.II.D. DESCRIBE THE NEED TO CHANGE LOCATION OR REPLACE AN EXISTING FACILITY.

Need for Additional Procedure Room Capacity at the CEC

Earlier this year, several gastroenterology practices in Chattanooga began to concentrate a large portion of their outpatient cases at the Chattanooga Endoscopy Center (CEC), where they have majority (65%) membership in the LLC that owns the facility.

The 11,442 endoscopy cases that they project performing there exceed the current capacity of the 17-year-old facility, which has only 3 procedure rooms. AmSurg Corp, the former majority owner of the CEC, has welcomed their initiative, has reorganized membership of the LLC to accommodate them, has scaled back to a 35% minority membership position with a management contract, and is proposing to relocate the endoscopy center in late 2016 to larger leased space on Riverside Drive in Chattanooga. The proposed endoscopy center there will be able to accommodate all the physicians' projected cases, to provide room for future growth, and to operate well above the level of case-per-room efficiency prescribed in the State Health Plan.

In 2014, with only 4 gastroenterologists active at CEC, and only 2 procedure rooms, CEC (then named the "Digestive Disorders Endoscopy Center") performed 2,173 case, an average of 1,087 cases per room. Currently, in 2015, CEC's utilization is climbing rapidly, due to an almost quadrupling of its medical staff and the addition of a 3rd procedure room in January of this year. April's monthly cases were 240% of January's cases, for example.

Table Three: 2015 Escalation of Utilization at the CEC

	Cases	Annualized (Run Rate)	Annual Cases Per Procedure Room
CY2014	2,173	2,173	1,087 (2 rooms)
CY2015			
January	172	2,064	1,032 (2 rooms)
February	327	3,924	1,308 (3 rooms)
March	399	4,788	1,596 (3 rooms)
April	414	4,968	1,656 (3 rooms)
State Plan Target	467	5,604	1,868 (3 rooms)

Source: CEC Records and AmSurg.

Once the facility reaches 467 cases per month, it will be operating at an annual rate of 1,868 cases per room per year. That will comply with the 1,867-case State Health Plan benchmark for expansion of capacity. The applicant expects to surpass that level of utilization in mid-2015, once additional pre- and post-op spaces are completed. (Until they are available, the new third procedure room cannot be fully scheduled because limited recovery space is limiting its use--creating a bottleneck and limiting productivity.)

Even with 5 additional recovery stations, 3 procedure rooms will not be enough to meet medical staff needs.

The physicians have estimated that out of the more than 20,000 outpatient endoscopies they are already performing annually in Chattanooga, they need to perform 11,442 cases at CEC in 2017. CEC's 3 rooms will have difficulty exceeding 2,500 cases per room. Their throughput will be no more than 7,500 total cases--66% of the cases the medical staff wants to perform there.

To identify needed capacity, AmSurg has applied a 2,500-case-per-room standard to the 11,442-case target, which identifies a need for 4.6 (i.e., 5) procedure rooms. That is the finished room complement being requested in this application. (Shell space for a future 6th room will be included in the construction). Expanding the surgical capacity will also require expansion of the pre-and post-op spaces and almost all support and staff areas. It would not be feasible to undertake such an extensive construction process on-site while maintaining patient care. So relocation is being proposed, allowing for a seamless move to new space over a weekend.

Areawide Needs

Several factors have combined to bring about this concentration of cases at one location. Providers and physicians are increasingly partnering together to increase productivity, lower costs, restrain pricing, and continuously improve quality of care and surgical outcomes. This proposed facility will create the largest gastroenterology facility in its region, offering economies of scale that will permit very competitive pricing and

quality-controlled outcomes. That is needed, in a healthcare economy where payors and patients are aggressively seeking changes.

The general surgery center where five of CEC's new medical staff have been owners and practitioners until recently, is now owned by Memorial Hospital. It has a very large floor plan, and a very high lease cost, that participating physicians believe are no longer sustainable. An orderly relocation of most of its outpatient endoscopies to other ambulatory settings has already occurred. AmSurg and CEC have committed to provide an optimal setting for fifteen of its gastroenterologists' cases going forward, without the cost burdens associated with that surgery center.

Improved Physical Accessibility

The new location offers both staff and patients readily available parking spaces, and ground-floor entry into the endoscopy center--neither of which is available at its current location on a congested tertiary hospital campus. Staff now have to park remotely and take a hospital shuttle bus to their place of employment. Patients have continuous difficulty finding a parking place near the MOB where the CEC is located. Once parked, they must also take an elevator up to CEC. All of these inconveniences will be eliminated at the new location.

B.II.E. DESCRIBE THE ACQUISITION OF ANY ITEM OF MAJOR MEDICAL EQUIPMENT (AS DEFINED BY THE AGENCY RULES AND THE STATUTE) WHICH EXCEEDS A COST OF $1.5 MILLION; AND/OR IS A MAGNETIC RESONANCE IMAGING SCANNER (MRI), POSITRON EMISSION TOMOGRAPHY (PET) SCANNER, EXTRACORPOREAL LITHOTRIPTER AND/OR LINEAR ACCELERATOR BY RESPONDING TO THE FOLLOWING:

1. For fixed site major medical equipment (not replacing existing equipment):
- **a. Describe the new equipment, including:**
  1. **Total Cost (As defined by Agency Rule);**
  2. **Expected Useful Life;**
  3. **List of clinical applications to be provided; and**
  4. **Documentation of FDA approval.**
- **b. Provide current and proposed schedule of operations.**

2. For mobile major medical equipment:
- **a. List all sites that will be served;**
- **b. Provide current and/or proposed schedule of operations;**
- **c. Provide the lease or contract cost;**
- **d. Provide the fair market value of the equipment; and**
- **e. List the owner for the equipment.**

3. Indicate applicant's legal interest in equipment (e.g., purchase, lease, etc.) In the case of equipment purchase, include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Not applicable. No major medical equipment is proposed in this project.

B.III.A. ATTACH A COPY OF THE PLOT PLAN OF THE SITE ON AN 8-1/2" X 11" SHEET OF WHITE PAPER WHICH MUST INCLUDE:

1. **SIZE OF SITE (IN ACRES);**
2. **LOCATION OF STRUCTURE ON THE SITE;**
3. **LOCATION OF THE PROPOSED CONSTRUCTION; AND**
4. **NAMES OF STREETS, ROADS OR HIGHWAYS THAT CROSS OR BORDER THE SITE.**

PLEASE NOTE THAT THE DRAWINGS DO NOT NEED TO BE DRAWN TO SCALE. PLOT PLANS ARE REQUIRED FOR ALL PROJECTS.

See Attachment B.III.A.

B.III.B.1. DESCRIBE THE RELATIONSHIP OF THE SITE TO PUBLIC TRANSPORTATION ROUTES, IF ANY, AND TO ANY HIGHWAY OR MAJOR ROAD DEVELOPMENTS IN THE AREA. DESCRIBE THE ACCESSIBILITY OF THE PROPOSED SITE TO PATIENTS/CLIENTS.

The proposed site is very accessible to all parts of the service area. Bradley County residents living northeast of Chattanooga come into Chattanooga via I-75. North Hamilton County residents come via US 27. Walker and Catoosa County patients living south and southeast of the city come into the city via US 27 and I-75. Marion County residents drive to Chattanooga primarily on I-24. Once in Chattanooga, patients have easy access to the Riverside Drive site, using TN 58/Riverside Drive, and local streets such as McCallie Avenue, North Holzclaw, and Wilcox Boulevard.

Chattanooga's municipal bus service (Chattanooga Area Rapid Transit Authority, or CARTA) does provide access to the proposed site on Riverside Drive. Please see the CARTA bus route map in Attachment C,Need--3, Service Area Maps.

The drive time tables on the following page provide driving distance and times between both the current and proposed sites, and major communities in the service area, and from the proposed site to other ASTC's that currently perform endoscopic surgery.

The relocation will significantly improve physical accessibility for CEC patients, who currently encounter delays in finding a parking space at the hospital MOB where the CEC is now located, and who then have to take a building elevator to the CEC on an upper floor. In the new location, there is ample surface parking around the building and the CEC will have its own ground-floor entrance and a canopy to shelter discharged patients.

Table Four-A: Mileage and Drive Times From the Applicant's Current and Proposed Sites to Major Communities in the Project's Primary Service Area					
		To Proposed Site		To Current Site	
County	City	Miles	Minutes	Miles	Minutes
Hamilton	East Ridge	8.1	21"	4.9	14"
	Red Bank	7.0	13"	18.1	18"
	Soddy Daisy	18.2	21"	19.4	26"
	Ooltewah	17.4	23"	14.3	22"
	Collegedale	19.2	26"	16.1	24"
	Signal Mountain	9.5	17"	10.6	23"
Marion	Jasper	27.9	33"	28.3	36"
	Whitwell	24.9	39"	26.0	45"
	So. Pittsburg	32.9	39"	33.4	45"
	Monteagle	49.2	48"	49.7	50"
Bradley	Cleveland	31.5	37"	28.4	35"
Walker GA	Ft. Ogelthorpe	9.9	26"	7.2	18"
Catoosa GA	Ringgold	16.5	29"	13.6	23"
Unweighted Average Time			**28.6"**		**29.2"**

Source: Google Maps, May 22, 2015.

Table Four-B: Mileage and Drive Times Between the Project and Other ASTC's Performing Endoscopies in the Project's Tennessee Primary Service Area			
Facility and Address	**County and State**	**Distance in Miles**	**Drive Time in Minutes**
Associates of Memorial/Mission OP ASC 2515 DeSales Avenue, Chattanooga, TN 37404	Hamilton TN	0.9	3"
Physicians Surgery Center of Chattanooga 924 Spring Creek Road, Chattanooga, TN 37412	Hamilton TN	3.9	11"
The Surgery Center of Cleveland 137 25th Street, Cleveland, TN 37311	Bradley TN	32.7	40"

Source: Google Maps, May 22, 2015.

B.IV. ATTACH A FLOOR PLAN DRAWING FOR THE FACILITY WHICH INCLUDES PATIENT CARE ROOMS (NOTING PRIVATE OR SEMI-PRIVATE), ANCILLARY AREAS, EQUIPMENT AREAS, ETC.

See attachment B.IV.

IV. FOR A HOME CARE ORGANIZATION, IDENTIFY

1. **EXISTING SERVICE AREA (BY COUNTY);**
2. **PROPOSED SERVICE AREA (BY COUNTY);**
3. **A PARENT OR PRIMARY SERVICE PROVIDER;**
4. **EXISTING BRANCHES AND/OR SUB-UNITS; AND**
5. **PROPOSED BRANCHES AND/OR SUBUNITS.**

Not applicable. The application is not for a home care organization.

C(I) NEED

C(I).1. DESCRIBE THE RELATIONSHIP OF THIS PROPOSAL TO THE IMPLEMENTATION OF THE STATE HEALTH PLAN AND TENNESSEE'S HEALTH: GUIDELINES FOR GROWTH.

A. PLEASE PROVIDE A RESPONSE TO EACH CRITERION AND STANDARD IN CON CATEGORIES THAT ARE APPLICABLE TO THE PROPOSED PROJECT. DO NOT PROVIDE RESPONSES TO GENERAL CRITERIA AND STANDARDS (PAGES 6-9) HERE.

B. APPLICATIONS THAT INCLUDE A CHANGE OF SITE FOR A HEALTH CARE INSTITUTION, PROVIDE A RESPONSE TO GENERAL CRITERION AND STANDARDS (4)(a-c).

Project-Specific Review Criteria: Ambulatory Surgical Treatment Centers (2012 State Health Plan)

Assumptions in Determination of Need

The need for an ambulatory surgical treatment center shall be based upon the following assumptions:

1. Operating Rooms

a. An operating room is available 250 days per year, 8 hours per day.
b. The estimated average time per Case in an Operating Room is 65 minutes.
c. The average time for clean up and preparation between Operating Room Cases is 30 minutes.
d. The optimum utilization of a dedicated, outpatient, general-purpose Operating Room is 70% of full capacity. 70% x 250 days/year x 8 hours/day divided by 95 minutes = 884 Cases per year.

Criteria 1a-1d above are not applicable. The facility will not have any Operating Rooms; it will have only Procedure Rooms.

2. Procedure Rooms

a. A procedure room is available 250 days per year, 8 hours per day.

Complies. The endoscopy center is operated from 7 am to 4 pm Monday through Friday, at least 50 weeks per year. The same hours will be kept at the new location.

b. The estimated average time per outpatient Case in a procedure room is 30 minutes.

Complies. The average time per case (excluding room turnaround) is projected to be 25 minutes.

c. The average time for clean up and preparation between Procedure Room Cases is 15 minutes.

Complies. The average time allowed for room turnaround between endoscopy cases is projected to be 10 minutes.

d. The optimum utilization of a dedicated, outpatient, general-purpose outpatient Procedure Room is 70% of full capacity. 70% x 250 days/year x 8 hours/day divided by 45 minutes = 1867 Cases per year.

Complies. The facility's newly expanded 15-person medical staff has projected performing at least 11,442 cases in the facility's 5 procedure rooms. That will be an average of 2,288 cases per year in each procedure room in 2017. A sixth shelled room can be completed and made operational in future years, if needed.

Determination of Need

1. Need. The minimum numbers of 884 Cases per Operating Room and 1867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

The endoscopic cases to be performed in this proposed facility will average 2,288 cases per room, with 5 proposed rooms. The applicant does not require exceptions to the criterion of 1,867 or more cases per procedure room at the proposed location.

2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

The following estimates are based on AmSurg's extensive experience operating and managing this type of facility. AmSurg operates the nation's largest system of endoscopy centers. These case times could be longer or shorter, depending on the mix of low and high acuity cases that will be brought to the CEC, which is difficult to project at this point.

Year One (11,442 cases)

a. Average surgical time for endoscopy case: 25 minutes

b. Average room turnaround time: 10 minutes

c. Total average minutes per case: **35 minutes**

d. Available time in 6 procedure rooms:

60 minutes per hour X 8 hours per day X 250 days per year X 5 procedure rooms = 600,000 minutes of surgical room time available per year

e. Time required to perform Year One projected volume of 11,442 cases:

11,442 cases X 35 total average minutes per case = 400,470 minutes required per year

f. Utilization or Occupancy Rate of Procedure Rooms =

400,470 minutes utilized / 600,000 minutes available =**67% average utilization**

Year Two (11,542 cases)

a. Average surgical time for endoscopy case: 25 minutes

b. Average room turnaround time: 10 minutes

c. Total average minutes per case: **35 minutes**

d. Available time in 6 procedure rooms:

60 minutes per hour X 8 hours per day X 250 days per year X 5 procedure rooms = 600,000 minutes of surgical room time available per year

e. Time required to perform Year One projected volume of 11,542 cases:

11,542 X 35 total average minutes per case = 403,970 minutes required per year

f. Utilization or Occupancy Rate of Procedure Rooms =

403,970 minutes utilized / 600,000 minutes available =**67% average utilization**

3. Need; Economic Efficiencies; Access. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

Tennessee Primary Service Area Counties--Hamilton, Bradley, Marion

In Tennessee, hospital and surgery center utilization is reported only in the Joint Annual Reports (JAR's). The JARs report each facility's inpatient and outpatient case data and its numbers of operating and procedure rooms.

However, the JARs do not report the cases done in operating rooms separately from the cases done in procedure rooms.

Because of that, when an applicant is proposing to add only procedure rooms, it is not possible to calculate just procedure room utilization for the service area, or to calculate the procedure room utilization at a surgery center that has both operating rooms and procedure rooms. The only data that can be calculated is utilization of total facility and service area "surgical rooms" (operating rooms plus procedure rooms).

In Sections B.II.C. above and C(I)5-6 below, the applicant has presented the publicly available data on utilization of area surgery centers that perform endoscopies (i.e., excluding eye surgery centers, plastic surgery centers, etc. which do not have gastroenterologists on staff). In 2014, the 4 service area facilities that reported endoscopy utilization averaged 1,237 cases per surgical room--i.e., in 8 procedure rooms and 18 operating rooms. Hospital endoscopy volumes are not reported in hospital JARs.

Georgia Primary Service Area Counties (Walker, Catoosa)

There are only two surgical facilities in the two Georgia counties (Walker and Catoosa) in the applicant's primary service area. They are Hutcheson Medical Center, an acute care hospital in Fort Oglethorpe (Walker County), and "Hutcheson on the Parkway", Hutcheson Medical Center's outpatient services department in nearby Ringgold (Catoosa) County. Utilization data from Hutcheson Medical Center is provided in Table 9-B in Section C(I)5-6 below. The applicant did not find utilization data on the Ringgold facility reported on any State of Georgia website.

It should be noted that Hutcheson filed for bankruptcy recently, and is being sued by Erlanger Medical Center in Chattanooga for repayment of funds advanced to their failed joint effort to manage Hutcheson back to financial stability. The Hutcheson system, regardless of its surgical capacity, is miles south of Chattanooga and cannot realistically be regarded as an acute care resource for patients who are already choosing to use Tennessee gastroenterologists practicing in Chattanooga. The Georgia cases projected for the CEC in this CON application are not speculative; they are Georgia patients actually served in 2014 by the physicians of the applicant CEC.

4. Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

Areawide Utilization

Available data does not allow for a calculation of the utilization of comparable procedure rooms in the service area. Endoscopies are almost always performed in non-sterile procedure rooms rather than in sterile operating rooms. Tennessee's publicly available data sources do not show the utilization rate of non-sterile procedure rooms only, within hospitals and surgery centers that have both operating rooms and procedure rooms.

The Applicant's Utilization

However, under this criterion, the applicant's "current" utilization is relevant. In 2014, with only 4 gastroenterologists actively using the facility, and only 2 rooms open, the Chattanooga Endoscopy Center (then named the Digestive Disorders Endoscopy Center) performed 2,173 cases in its 2 procedure rooms, which was an average of 1,087 cases per room.

Currently, its utilization is climbing rapidly, due to expansion of the medical staff (which has almost quadrupled to 15 gastroenterologists) and to the addition of a 3rd procedure room this year:

Table Five: 2015 Escalation of Utilization at the CEC (Calendar Year Data)

	CY Cases	Annualized (Run Rate)	Annual Cases Per Procedure Room
CY2014	2,152		1,076 (2 rooms)
CY2015			
January	172	2,064	1,032 (2 rooms)
February	327	3,924	1,308 (3 rooms)
March	399	4,788	1,596 (3 rooms)
April	414	4,968	1,656 (3 rooms)
State Plan Target	467	5,604	1,868 (3 rooms)

Once the facility reaches 467 cases per month, this will be an annual rate of 1,868 cases per room per year. At that point, the current utilization of the CEC at its present location will meet the 1,867-case criterion. That will probably be reached in the third quarter of 2015, as additional pre- and post-op spaces are completed to remove bottlenecks that are limiting the full use of the third procedure room.

Impact on Other Facilities

Of the 11,442 projected cases in Year One, an estimated 2,152 will be from physicians already on staff in 2014 and using the CEC for their cases. An estimated 9,290 new cases will be brought by the physicians who have been performing cases at

other facilities. This number has been provided by the physicians themselves but without specific information on the number and locations of those cases--except that they have been performing most or all of them at two facilities: Memorial Healthcare System (main hospital) and Associates of Memorial/Mission Outpatient Surgery Center.

The applicant does not have access to the private records of either the physicians or those other facilities, so has no precise knowledge of impact on those facilities.

5. Need and Economic Efficiencies. An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

The applicant will perform only outpatient gastroenterology cases, to which it is currently limited. No change in that limitation is being requested.

The applicant will perform these cases solely in procedure rooms. No operating rooms are available at the current location and none will be available at the new location.

The other information requested in criterion #5 duplicates information already provided in response to criteria #2 and #4. Please see the applicant's responses to those criteria with respect to:

- Case time analysis based on applicant's own experience;
- Impact on other area facilities;
- Utilization data from other comparable facilities in the primary service area.

See also Section C(I)5 below for tables and narrative of utilization data in comparable facilities in the service area.

Other Standards and Criteria

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

Complies. See drive time tables in Section B.III.B.1 above.

7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.

There is bus service available to the Riverside Business Park on Riverside Drive. A bus route map has been provided in Attachment C, Need--3.

8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must

- **project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and**
- **must note where they are currently being served.**
- **Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as**
- **the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area.**
- **All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.**

Patient Origin: This is provided in Sections C(I)3-4. The primary service area will consist of Hamilton, Bradley, and Marion Counties in Tennessee, and Walker and Catoosa Counties in Georgia. Zip code patient origin from so many practices is not readily available.

Places of Current Service: The applicant's information from its medical staff is that 2,152 of the projected cases will come from physicians already practicing at the CEC in 2014 before its medical staff expanded this year. The new physicians estimate that another 9,290 cases will be brought to CEC, cases previously done at the Associates of Memorial/Mission Outpatient Surgery Center and Memorial Healthcare System. In 2015, all are being done at Memorial Healthcare (the main hospital).

Demographics of the Service Area: This is provided in Section C(I)4.A.

Service Area Providers: The Tennessee Joint Annual Reports ("JARs") for Hospitals do not provide statistics on the number of endoscopies, or the endoscopies performed in the hospital's OR's, or the endoscopies performed in procedure rooms. The JAR's for Ambulatory Surgical Treatment Centers who have both OR's and procedure rooms do state the number of endoscopy patients at the facility--however, they do not report the endoscopy utilization of OR's, separately from the endoscopy utilization of procedure rooms. So except for a surgery center with only procedure rooms, it is not possible to identify the specific endoscopy procedure room utilization. The applicant has provided all available utilization data for all area surgery centers reporting endoscopy cases; but it is limited to each facility's total case utilization of all surgical rooms, and the number and percent of its total cases that were endoscopies. See Section C(I)5 below.

Assumptions--Each section's responses identifies its assumptions and sources of data.

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The quarterly projection table below is based on annual case estimates made by the medical staff in writing. The Year One estimate was 11,442 cases. Year Two was increased to 11,542 by the applicant. The physician estimates are provided in their letter in Attachment C, Need--1.A.3. Quarterly breakdowns were distributed approximately evenly.

Table Six: Chattanooga Endoscopy Center
Projection of Quarterly Cases, Years One and Two

	Q1 Cases	Q2 Cases	Q3 Cases	Q4 Cases	Total
2017	2,860	2,860	2,861	2,861	11,422
2018	2,885	2,885	2,886	2,886	11,542

10. Patient Safety and Quality of Care; Health Care Workforce.

a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

The applicant is already AAAHC-accredited and is committed to maintaining its accreditation.

b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

The medical staff consists of fifteen gastroenterologists, Board Certified in Internal Medicine (15) and also in Gastroenterology (14). Board documentation is provided in Attachment C-Need--1.A.3. The CEC requires that physicians applying for surgical or anesthesia privileges be Board-certified or Board-eligible in their appropriate specialties, along with other customary criteria. See Attachment

Attachment C-Need--1.A. contains documentation of appropriate anesthesiology coverage.

11. Access to ASTCs. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, *"Every citizen should have reasonable access to health care,"* the HSDA may decide to give special consideration to an applicant:

a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

The CEC's primary service area consists of Hamilton, Bradley, and Marion Counties in Tennessee, and Walker and Catoosa Counties in Georgia. Parts of all five counties are designated as medically underserved areas. They are identified in Attachment C-Need-1.A.

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;

Not applicable.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program;

The applicant so commits. The applicant already contracts with Medicare, and with three of the four TennCare MCO's in the area. The applicant is awaiting acceptance of a contract by the fourth MCO. The applicant is contracted to Georgia Medicaid.

d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

Not applicable. The applicant's case times are not longer than the criteria.

Project-Specific Review Criteria: Construction, Renovation, Expansion, and Replacement of Health Care Institutions

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

Not applicable; none of these changes is being proposed.

2. For relocation or replacement of an existing licensed healthcare institution:

a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strngths and weaknesses of each alternative.

The applicant has provided detailed cost projections for relocation to a new site. Providing plans and budgets for "renovation" is not applicable because the CEC's current location is not in need of renovation. Its expansion is not feasible because the CEC is in a medical office building where it may not be possible to expand capacity. Even were it possible, the applicant intends to move to a location that is "hospital-neutral" by comparison to its current site on the grounds of one major hospital in the area.

b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

The applicant has submitted a signed letter from its medical staff, stating that they collectively estimate bringing 11,422 cases to the proposed new location in its first year. This number was arrived at in consultation with one another and with AmSurg. As their letter states, they perform much more than that number of outpatient cases currently, at all licensed facilities combined. Their total outpatient cases exceed 20,000.

3. For renovation or expansion of an existing licensed healthcare institution:

a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

b. the applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

Not applicable; this is a replacement project and not a renovation or expansion project.

The Framework for Tennessee's Comprehensive State Health Plan

Five Principles for Achieving Better Health

The following Five Principles for Achieving Better Health serve as the basic framework for the State Health Plan. After each principle, the applicant states how this CON application supports the principle, if applicable.

1. Healthy Lives

The purpose of the State Health Plan is to improve the health of Tennesseans.
Every person's health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

The project represents the collaboration of an established surgical provider with multiple groups of gastroenterologists serving patients from more than five area counties.

2. Access to Care

Every citizen should have reasonable access to health care.
Many elements impact one's access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

The project pays careful attention to accessibility, both from financial and physical perspectives. The applicant has contracts with three of the four TennCare MCO's now operating Statewide; and is seeking a contract with the fourth MCO. The applicant is contracted with Georgia Medicaid (provider #803344479A). The proposed site is very physically accessible to the service area counties in terms of drive time.

3. Economic Efficiencies

The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. **The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.**

The project will provide an efficient facility for the delivery of care, one which conforms to current codes and design standards. This will be done in a setting that costs Medicare approximately 30%-40% less than if the same surgeries were performed in a hospital or in a hospital-based outpatient department.

4. Quality of Care

Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. **Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.**

AmSurg Corp and the physician members of the applicant LLC are committed to processes of continuous quality improvement and the delivery of cost-effective "best practices" medical care.

5. Health Care Workforce

The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. **The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.**

The project has no apparent net impact on the healthcare workforce.

C(I).2. DESCRIBE THE RELATIONSHIP OF THIS PROJECT TO THE APPLICANT'S LONG-RANGE DEVELOPMENT PLANS, IF ANY.

The CEC does not prepare long-range development plans.

C(I).3. IDENTIFY THE PROPOSED SERVICE AREA AND JUSTIFY THE REASONABLENESS OF THAT PROPOSED AREA. SUBMIT A COUNTY-LEVEL MAP INCLUDING THE STATE OF TENNESSEE CLEARLY MARKED TO REFLECT THE SERVICE AREA. PLEASE SUBMIT THE MAP ON A 8-1/2" X 11" SHEET OF WHITE PAPER MARKED ONLY WITH INK DETECTABLE BY A STANDARD PHOTOCOPIER (I.E., NO HIGHLIGHTERS, PENCILS, ETC.).

The applicant's physicians had more than 31,000 patient visits in 2014. Their patient origin data indicates a primary service area consisting of Hamilton, Bradley, and Marion Counties in Tennessee, and Walker and Catoosa Counties in Georgia. Approximately 84% of their patient visits came from those five counties.

This project assumes that the CEC service area at the new location on Riverside Drive will be the same. Table Seven on the following page shows the projected patient origin for Years One and Two of the project. Approximately 63% of the CEC patients will come from the three Tennessee primary service area counties. Approximately 21% will come from the two Georgia primary service area counties. The remaining 16% will come from other Tennessee and Georgia counties and other States.

Table Seven: The Chattanooga Endoscopy Center Patient Origin Projection CY2017-18					
County	Patients CY2014	Percent of Total Patients	Cumulative Percent of Total Patients	Year One CY2017 Patients	Year Two CY2018 Patients
Primary Service Area (PSA) Counties					
Hamilton	17,217	54.08%	54.08%	6,188	6,242
Walker (GA)	4,164	13.08%	67.16%	1,497	1,510
Catoosa (GA)	2,594	8.15%	75.31%	932	940
Bradley	1,622	5.09%	80.40%	583	588
Marion	1,116	3.51%	83.91%	401	405
PSA Subtotal	*26,713*	*83.91%*		*9,601*	*9,685*
Secondary Service Area (SSA) Counties and States	*5,124*	*16.09%*		*1,841*	*1,857*
Grand Total	*31,837*	*100.00%*		*11,442*	*11,542*

Source: Medical staff patient origin records and management projections.

C(I).4.A DESCRIBE THE DEMOGRAPHICS OF THE POPULATION TO BE SERVED BY THIS PROPOSAL.

Table Eight data from the Tennessee Department of Health show that this service area's total population will increase from 2015 to 2019, but at a slower rate than the State rate: 1.8% growth in the service area compared to 3.7% Statewide.

Endoscopies are needed primarily by persons 50 years or older. A larger percent of the service area is age 50 or older--37.3% compared to 35.3% Statewide. The area's age 50+ population will increase 4.7% between 2015 and 2019--an increase of almost 11,000 persons, all of whom should be obtaining endoscopies every decade, or at shorter intervals recommended by their physicians.

The service area's median household income is very close to that of the State; and the service area has a slightly lower percent of residents living in poverty--17.0% compared to 17.6% Statewide. Approximately 18.8% of the service area population is enrolled in Medicaid or TennCare, compared to 21% across all of Tennessee.

Table Seven: The Chattanooga Endoscopy Center Patient Origin Projection CY2017-18					
County	Patients CY2014	Percent of Total Patients	Cumulative Percent of Total Patients	Year One CY2017 Patients	Year Two CY2018 Patients
Primary Service Area (PSA) Counties					
Hamilton	17,217	54.08%	54.08%	6,188	6,242
Walker (GA)	4,164	13.08%	67.16%	1,497	1,510
Catoosa (GA)	2,594	8.15%	75.31%	932	940
Bradley	1,622	5.09%	80.40%	583	588
Marion	1,116	3.51%	83.91%	401	405
PSA Subtotal	*26,713*	*83.91%*		*9,601*	*9,685*
Secondary Service Area (SSA) Counties and States	*5,124*	*16.09%*		*1,841*	*1,857*
Grand Total	*31,837*	*100.00%*		*11,442*	*11,542*

Source: Medical staff patient origin records and management projections.

C(I).4.B. DESCRIBE THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION, INCLUDING HEALTH DISPARITIES, THE ACCESSIBILITY TO CONSUMERS, PARTICULARLY THE ELDERLY, WOMEN, RACIAL AND ETHNIC MINORITIES, AND LOW-INCOME GROUPS. DOCUMENT HOW THE BUSINESS PLANS OF THE FACILITY WILL TAKE INTO CONSIDERATION THE SPECIAL NEEDS OF THE SERVICE AREA POPULATION.

The need for periodic screening and other endoscopies is now considered universal for all persons 50 years of age and older (45 years of age or older for African-Americans), in order to prevent avoidable deaths from colon cancer. This is a need shared by all, regardless of gender, race, ethnicity, or income level.

Chattanooga Endoscopy Center is open to all of the above groups. It contracts with three of Tennessee's TennCare plans, and will be contracted to a fourth plan in the near future. It contracts with Georgia Medicaid. For persons without adequate insurance, discounting and periodic payment plans are worked out individually prior to service, with eligibility based on income. CEC participates in "Colonoscopy Assist", an organization for providing discounted colonoscopy screenings for uninsured and underinsured persons. Charitable discounts were calculated for the Historic and Projected Data Charts in this application.

Table Eight: The Chattanooga Endoscopy Center
Demographic Characteristics of Primary Service Area
2015-2019

Demographic	HAMILTON County	BRADLEY County	MARION County	WALKER Co GA	CATOOSA Co GA	PROJECT PSA	STATE OF TENNESSEE
Median Age-2010 US Census	39.3	38.2	42.3	39.7	38.3	40	37.8
Total Population-2015	349,273	104,364	28,652	67,823	66,202	616,314	6,649,438
Total Population-2019	354,610	108,511	29,125	67,072	67,983	627,301	6,894,997
Total Population-% Change 2015 to 2019	1.5%	4.0%	1.7%	-1.1%	2.7%	1.8%	3.7%
Age 50+ Population-2015	130,117	37,844	11,800	25,903	24,141	229,805	2,346,357
% of Total Population	37.3%	36.3%	41.2%	38.2%	36.5%	37.3%	35.3%
Age 50+ Population-2019	134,011	40,929	12,099	26,456	27,220	240,715	2,490,254
% of Total Population	37.8%	37.7%	41.5%	39.4%	40.0%	38.4%	36.1%
Age 50+ Population-% Change 2015-2019	3.0%	8.2%	2.5%	2.1%	12.8%	4.7%	6.1%
Median Household Income	$46,702	$41,083	$41,268	$39,963	$47,087	$43,221	$44,298
Medicaid Enrollees (4/15)	64,491	21,356	6,920	12,959	9,957	115,683	1,399,004
Percent of 2015 Population Enrolled in Medicaid	18.5%	20.5%	24.2%	19.1%	15.0%	18.8%	21.0%
Persons Below Poverty Level (2014)	57,979	20,664	5,301	11,326	9,202	104,473	1,170,301
Persons Below Poverty Level As % of Population (US Census)	16.6%	19.8%	18.5%	16.7%	13.9%	17.0%	17.6%

Sources: TDH Population Projections, May 2013; U.S. Census QuickFacts; GA Dept of Health, OASIS system TennCare Bureau. PSA data is unweighted average or total of county data.

C(I).5. DESCRIBE THE EXISTING OR CERTIFIED SERVICES, INCLUDING APPROVED BUT UNIMPLEMENTED CON'S, OF SIMILAR INSTITUTIONS IN THE SERVICE AREA. INCLUDE UTILIZATION AND/OR OCCUPANCY TRENDS FOR EACH OF THE MOST RECENT THREE YEARS OF DATA AVAILABLE FOR THIS TYPE OF PROJECT. BE CERTAIN TO LIST EACH INSTITUTION AND ITS UTILIZATION AND/OR OCCUPANCY INDIVIDUALLY. INPATIENT BED PROJECTS MUST INCLUDE THE FOLLOWING DATA: ADMISSIONS OR DISCHARGES, PATIENT DAYS, AND OCCUPANCY. OTHER PROJECTS SHOULD USE THE MOST APPROPRIATE MEASURES, E.G., CASES, PROCEDURES, VISITS, ADMISSIONS, ETC.

In the project's Tennessee primary service area, there are 5 ambulatory surgical treatment centers whose Joint Annual Reports indicate that they perform outpatient endoscopies. Their utilization for the past three reporting years, 2012-2014, is shown in Table Nine-A on the following page.

In the Georgia service area counties, the Hutcheson Medical Center in Fort Oglethorpe reports some endoscopies, and its affiliated "Hutcheson on the Parkway" outpatient center in nearby Ringgold advertises a gastroenterology medical staff. However, it is unclear whether the surgery center is the site of any endoscopies, because it appears to have no annual report on Georgia's website for surgery center utilization.

Table Nine-B on the second following page provides what utilization information is available for Hutcheson Medical Center. At Hutcheson, endoscopies are performed in the operating suite. In addition, Hutcheson is in bankruptcy proceedings and is embroiled in litigation brought by Erlanger Medical Center in Chattanooga to recover loans made to Hutcheson in a failed joint effort to make Hutcheson viable.

Table Nine-A: The Chattanooga Endoscopy Center (AMENDED ON SUPPLEMENTAL CYCLE)
Primary Service Area Utilization of Ambulatory Surgical Treatment Centers Performing Endoscopies

	2012 Joint Annual Report of ASTC's							
County	Facility Name	O.R.'s	Procedure Rooms	Total Surgical Rooms	Total Cases	Cases Per Surgical Room	GI Endoscopy Cases	GI Endoscopy Cases Percent of Total Cases
Hamilton	Associates of Memorial/Mission Outpatient Surgery Center	4	3	7	11,740	1,677	6,820	58.1%
	Digestive Disorders Endoscopy Center	0	2	2	2,215	1,108	2,215	100.0%
	Physicians Surgery Center of Chattanooga	4	2	6	3,317	553	574	17.3%
	Plaza Surgery Center (last year of operation as ASTC)	4	4	8	3,855	482	463	12.0%
Bradley	The Surgery Center of Cleveland (Novamed in 2012)	2	1	3	4,856	1,619	1,330	27.4%
	TOTAL TENNESSEE PRIMARY SERVICE AREA	14	12	26	25,983	999	11,402	43.9%
	2013 Joint Annual Report of ASTC's							
County	Facility Name	O.R.'s	Procedure Rooms	Total Surgical Rooms	Total Cases	Cases Per Surgical Room	GI Endoscopy Cases	GI Endoscopy Cases Percent of Total Cases
Hamilton	Associates of Memorial/Mission Outpatient Surgery Center	4	3	7	11,491	1,642	6,675	58.1%
	Digestive Disorders Endoscopy Center	0	2	2	2,240	1,120	2,240	100.0%
	Physicians Surgery Center of Chattanooga	4	2	6	3,194	532	599	18.8%
Bradley	The Surgery Center of Cleveland	2	1	3	5,033	1,678	1,494	29.7%
	TOTAL TENNESSEE PRIMARY SERVICE AREA	10	8	18	21,958	1,220	11,008	50.1%
	2014 Joint Annual Report of ASTC's							
County	Facility Name	O.R.'s	Procedure Rooms	Total Surgical Rooms	Total Cases	Cases Per Surgical Room	GI Endoscopy Cases	GI Endoscopy Cases Percent of Total Cases
Hamilton	Associates of Memorial/Mission Outpatient Surgery Center	4	3	7	11,357	1,622	6,417	56.5%
	Digestive Disorders Endoscopy Center*	0	2	2	2,332	1,166	2,332	100.0%
	Physicians Surgery Center of Chattanooga	4	2	6	3,384	564	552	16.3%
Bradley	The Surgery Center of Cleveland	2	1	3	5,350	1,783	2,005	37.5%
	TOTAL TENNESSEE PRIMARY SERVICE AREA	10	8	18	22,423	1,246	11,306	50.4%

Notes: TN case data is patients reported on page 6 of JARs. GA data fromGA Department of Community Health (2014 not yet published).
**DDEC Cases of 2,332 reflect June 2014 letter to TDH correcting the 2,173 cases previously reported in DDEC's 2014 JAR.*

Table Nine-B: Hutcheson Medical Center, Walker County Georgia Surgical Utilization			
	2011	2012	2013
Dedicated Outpatient Operating Rooms	*3*	*3*	*3*
Endoscopy Patients	0	0	0
Other Patients	3,570	1,654	1,741
Total Patients	3,570	1,654	1,741
Shared (IP/OP) Operating Rooms	*4*	*4*	*4*
Endoscopy Patients	9	308	541
Other Patients	624	471	325
Total Patients	633	779	866
Shared Cystoscopy Room	*1*	*1*	*1*
Endoscopy Patients	0	0	0
Other Patients	25	39	87
Total Patients	25	39	87
Total Surgical Rooms	*8*	*8*	*8*
Total Endoscopy Patients	9	308	541
Total Patients	4,219	2,164	2,153
Total Patients per Surgical Room	527	271	269

Source: Georgia Department of Community Health; Oasis Data System
Notes: Endoscopies are done in the OR suite. Georgia reports patients and procedures.

C(I).6. PROVIDE APPLICABLE UTILIZATION AND/OR OCCUPANCY STATISTICS FOR YOUR INSTITUTION FOR EACH OF THE PAST THREE (3) YEARS AND THE PROJECTED ANNUAL UTILIZATION FOR EACH OF THE TWO (2) YEARS FOLLOWING COMPLETION OF THE PROJECT. ADDITIONALLY, PROVIDE THE DETAILS REGARDING THE METHODOLOGY USED TO PROJECT UTILIZATION. THE METHODOLOGY MUST INCLUDE DETAILED CALCULATIONS OR DOCUMENTATION FROM REFERRAL SOURCES, AND IDENTIFICATION OF ALL ASSUMPTIONS.

Recent Utilization

Before 2015, CEC's name was the "Digestive Disorders Endoscopy Center". In 2014, with only 4 gastroenterologists on staff at the CEC, and only 2 procedure rooms operational, it performed 2,173 cases-- an average of 1,087 cases per room. Currently, in 2015, CEC's utilization is escalating rapidly. This is due to a recent almost quadrupling of its medical staff (from 4 to 15 members), and to the opening of a 3rd procedure room in January of this year:

Table Five (Repeated from Prior Section): 2015 Escalation of Cases at the CEC			
	Cases	Annualized (Run Rate)	Annual Cases Per Procedure Room
CY2014	2,173	2,173	1,087 (2 rooms)
CY2015			
January	172	2,064	1,032 (2 rooms)
February	327	3,924	1,308 (3 rooms)
March	399	4,788	1,596 (3 rooms)
April	414	4,968	1,656 (3 rooms)
State Plan Target	467	5,604	1,868 (3 rooms)

Source: CEC Records and AmSurg.

Once the facility reaches 467 cases per month, it will be operating at an annual rate of 1,868 cases per room per year. That will comply with the 1,867-case State Health Plan benchmark for expansion of capacity. The applicant expects to surpass that level of utilization in Q3 of 2015, once additional pre- and post-op spaces are completed. Until they are available, the new third procedure room can't be fully utilized because limited recovery space is creating a bottleneck in the surgery rooms.

Even with the additional recovery stations, 3 procedure rooms will not be enough to meet medical staff needs.

CEC's physicians have estimated that of the more than 20,000 outpatient endoscopies they already perform annually in Chattanooga, they intend to schedule 11,442 of them at CEC in 2017. At CEC's current capacity of only 3 rooms, it will have difficulty exceeding 2,500 cases per room. CEC's optimal utilization limit will therefore be 7,500 total cases--only two-thirds (66%) of the cases the medical staff wants to perform there.

To identify what number of rooms would be adequate, AmSurg applied a 2,500-case-per-room standard to the 11,442-case target. That identified a need for 4.6 (i.e., 5) procedure rooms--the finished room complement being requested in this application. It is also prudent to have potential expansion capacity, so an unequipped 6th room is included.

Historic and Projected Utilization

Table 9-A above provided historical utilization of the applicant CEC. Table Ten below expands that data to include projections for 2015-2018.

Table Ten: Chattanooga Endoscopy Center
Historical and Projected Utilization 2012-2018

Calendar Year	Procedure Rooms	Cases	Cases Per Room	Annual Utilization Based On AmSurg Optimal Cases of 2,500 / Rm	Percent of State Health Plan Optimal Cases of 1,867 / Rm	Percent of State Health Plan Full Capacity Cases of 2,667 / Rm
2012	2	2,215	1,108	44.3%	59.3%	41.5%
2013	2	2,240	1,120	44.8%	60.0%	42.0%
2014	2	2,113	1,087	42.3%	58.2%	40.8%
2015	3	5,890	1,963	78.5%	105.1%	73.6%
2016	3	7,500	2,500	100.0%	133.9%	93.7%
2017-Yr 1	5	11,442	2,288	91.5%	122.6%	85.8%
2018-Yr 2	5	11,542	2,308	92.3%	123.6%	86.5%

Source: AmSurg management and medical records.

Table Ten's projection assumptions are as follows:

- 2015--Q1 is 898, the actual number of cases. Q2 is 1,242, based on three times the April actual cases of 414. Q3 and Q4 total 3,750 cases (625 cases per month, the practical limit of productivity in 3 rooms, after expansion of pre- and post-op spaces).
- 2016 --625 cases per month based on the practical limit of productivity in 3 rooms (c. 208.3 per room) after addition of more pre- and post-op spaces at the end of 2015.
- 2017--based on medical staff estimates of the cases they currently have and feel are appropriate to bring to the CEC.
- 2018--an increase of 100 annual cases over 2017.

C(II)1. PROVIDE THE COST OF THE PROJECT BY COMPLETING THE PROJECT COSTS CHART ON THE FOLLOWING PAGE. JUSTIFY THE COST OF THE PROJECT.

• ALL PROJECTS SHOULD HAVE A PROJECT COST OF AT LEAST $3,000 ON LINE F (MINIMUM CON FILING FEE). CON FILING FEE SHOULD BE CALCULATED ON LINE D.

• THE COST OF ANY LEASE (BUILDING, LAND, AND/OR EQUIPMENT) SHOULD BE BASED ON FAIR MARKET VALUE OR THE TOTAL AMOUNT OF THE LEASE PAYMENTS OVER THE INITIAL TERM OF THE LEASE, WHICHEVER IS GREATER. NOTE: THIS APPLIES TO ALL EQUIPMENT LEASES INCLUDING BY PROCEDURE OR "PER CLICK" ARRANGEMENTS. THE METHODOLOGY USED TO DETERMINE THE TOTAL LEASE COST FOR A "PER CLICK" ARRANGEMENT MUST INCLUDE, AT A MINIMUM, THE PROJECTED PROCEDURES, THE "PER CLICK" RATE AND THE TERM OF THE LEASE.

• THE COST FOR FIXED AND MOVEABLE EQUIPMENT INCLUDES, BUT IS NOT NECESSARILY LIMITED TO, MAINTENANCE AGREEMENTS COVERING THE EXPECTED USEFUL LIFE OF THE EQUIPMENT; FEDERAL, STATE, AND LOCAL TAXES AND OTHER GOVERNMENT ASSESSMENTS; AND INSTALLATION CHARGES, EXCLUDING CAPITAL EXPENDITURES FOR PHYSICAL PLANT RENOVATION OR IN-WALL SHIELDING, WHICH SHOULD BE INCLUDED UNDER CONSTRUCTION COSTS OR INCORPORATED IN A FACILITY LEASE.

• FOR PROJECTS THAT INCLUDE NEW CONSTRUCTION, MODIFICATION, AND/OR RENOVATION; DOCUMENTATION MUST BE PROVIDED FROM A CONTRACTOR AND/OR ARCHITECT THAT SUPPORT THE ESTIMATED CONSTRUCTION COSTS.

The architect's letter supporting the construction cost estimate is provided in Attachment C, Economic Feasibility--1.

On the Project Costs Chart, following this response:

Line A.1, A&E fees, were estimated by the project architect.

Line A.2, legal, administrative, and consultant fees, include a contingency for expenses of legal counsel in the event of opposition.

Line A.5, construction cost, was calculated by AmSurg development staff.

Line A.6, contingency, was estimated at 10% of construction costs in line A.5.

Line A.7 includes both fixed and moveable equipment costs, estimated by AmSurg development staff.

Line B.1 is the fair market value of the facility being leased. It was calculated in the two alternative ways required by staff rules. The lease outlay was the larger of these two alternative calculations and was used in Line B.1.

Lease Outlay Method:

The lease sets forth an annual lease payment schedule for the 15-year term of the lease. The total of those payments is $2,008,682.71.

Pro Rata Building Value Method:

The lease for this space specifies a payment only for the 13,500 SF of space on the main surgery center floor. The lessor is not charging the applicant for the use of the 4,010 SF mezzanine-level electrical/telephone/mechanical room beneath the surgery center floor. Using the entire 17,510 ASTC premises, the FMV is: 17,510 SF / 136,778 SF building X $6,300,000 building value (per tax records) = $806,511.

Line B.5 is the value of existing equipment being relocated to the project.

Line C.1, interim financing, was estimated as follows: (Part A + Part E costs) X 1/2 X 5% interest X 1 year = $147,049.

PROJECT COSTS CHART-- THE CHATTANOOGA ENDOSOPY CENTER

A.	Construction and equipment acquired by purchase:		
1.	Architectural and Engineering Fees	$	248,000
2.	Legal, Administrative, Consultant Fees (Excl CON Filing)		50,000
3.	Acquisition of Site		0
4.	Preparation of Site		0
5.	Construction Cost		3,464,500
6.	Contingency Fund 10% of A5		346,450
7.	Fixed Equipment (Not included in Construction Contract)		0
8.	Moveable Equipment (List all equipment over $50,000)		1,578,489
9.	Other (Specify) In A5--misc bldg & inspection fees		0
B.	Acquisition by gift, donation, or lease:		
1.	Facility (inclusive of building and land)		2,008,863
2.	Building only		0
3.	Land only		0
4.	Equipment (Specify) 3 rooms of OR scopes & washers		761,200
5.	Other (Specify)		0
C.	Financing Costs and Fees:		
1.	Interim Financing		147,049
2.	Underwriting Costs		0
3.	Reserve for One Year's Debt Service		0
4.	Other (Specify)		0
D.	Estimated Project Cost (A+B+C)		8,604,551
E.	CON Filing Fee		19,360
F.	Total Estimated Project Cost (D+E)	TOTAL $	8,623,911

Actual Capital Cost	$5,853,848
Section B FMV	$2,770,063

Interim Interest: (A + E) X 1/2 avg balance X 5% x 1 yr
$5,881,948 X .5 X 5% X 1.0 yrs = $147,049
Note: E was lower before interim interest was added to line E.

C(II).2. IDENTIFY THE FUNDING SOURCES FOR THIS PROJECT.

a. PLEASE CHECK THE APPLICABLE ITEM(S) BELOW AND BRIEFLY SUMMARIZE HOW THE PROJECT WILL BE FINANCED. (DOCUMENTATION FOR THE TYPE OF FUNDING MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND IDENTIFIED AS ATTACHMENT C, ECONOMIC FEASIBILITY--2).

___x__A. Commercial Loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;

_____B. Tax-Exempt Bonds--copy of preliminary resolution or a letter from the issuing authority, stating favorable contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;

_____C. General Obligation Bonds--Copy of resolution from issuing authority or minutes from the appropriate meeting;

_____D. Grants--Notification of Intent form for grant application or notice of grant award;

_____E. Cash Reserves--Appropriate documentation from Chief Financial Officer; or

_____F. Other--Identify and document funding from all sources.

The project will be funded AmSurg Corp, which will loan to the applicant LLC the full actual capital expenses of the project--currently estimated at approximately $5,853,848. Documentation of financing is provided in Attachment C, Economic Feasibility--2, in the form of a letter from the Chief Financial Officer of AmSurg.

C(II).3. DISCUSS AND DOCUMENT THE REASONABLENESS OF THE PROPOSED PROJECT COSTS. IF APPLICABLE, COMPARE THE COST PER SQUARE FOOT OF CONSTRUCTION TO SIMILAR PROJECTS RECENTLY APPROVED BY THE HSDA.

Surgery center construction projects approved by the HSDA in 2011-2013 had the following construction costs per SF:

Ambulatory Surgery Center Construction Cost PSF Years: 2011-2013			
	Renovated Construction	New Construction	Total Construction
1st Quartile	$95.04/sq ft	$174.88/sq ft	$113.55/sq ft
Median	$113.55/sq ft	$223.62/sq ft	$162.00/sq ft
3rd Quartile	$150.00/sq ft	$269.76/sq ft	$223.62/sq ft

Source: HSDA Registry; CON approved applications for years 2011 through 2013

Chattanooga Endoscopy Center's project is above the third quartile for renovation projects at ASTC's. The project's estimated construction cost is approximately $197.86 PSF overall (for 17,510 SF of space). This is reasonable due to the steady annual increase in construction costs since 2011. This construction will be paid for in 2016, which is four years beyond the midpoint of the HSDA 2011-13 range.

Table Two-B (Repeated): This Project's Construction Costs			
	Renovated Construction	**New Construction**	**Total Project**
Square Feet	17,510	none	17,510
Construction Cost	$3,464,500	none	$3,464,500
Constr. Cost PSF	$197.86	none	$197.86

The HSDA has just released the 2012-2014 ASTC construction cost averages; but there were too few samples to calculate renovation vs. new construction costs.

Ambulatory Surgery Center Construction Cost PSF Years: 2012-2014			
	Renovated Construction	New Construction	Total Construction
1st Quartile	$0/sq ft	$0/sq ft	$113.55/sq ft
Median	$0/sq ft	$0/sq ft	$150.00/sq ft
3rd Quartile	$0/sq ft	$0/sq ft	$174.88/sq ft

Source: HSDA Registry; CON approved applications for years 2012 through 2014

C(II).4. COMPLETE HISTORICAL AND PROJECTED DATA CHARTS ON THE FOLLOWING TWO PAGES--DO NOT MODIFY THE CHARTS PROVIDED OR SUBMIT CHART SUBSTITUTIONS. HISTORICAL DATA CHART REPRESENTS REVENUE AND EXPENSE INFORMATION FOR THE LAST THREE (3) YEARS FOR WHICH COMPLETE DATA IS AVAILABLE FOR THE INSTITUTION. PROJECTED DATA CHART REQUESTS INFORMATION FOR THE TWO YEARS FOLLOWING COMPLETION OF THIS PROPOSAL. PROJECTED DATA CHART SHOULD INCLUDE REVENUE AND EXPENSE PROJECTIONS FOR THE PROPOSAL ONLY (I.E., IF THE APPLICATION IS FOR ADDITIONAL BEDS, INCLUDE ANTICIPATED REVENUE FROM THE PROPOSED BEDS ONLY, NOT FROM ALL BEDS IN THE FACILITY).

See the following pages for these charts, with notes where applicable. Please note that these charts and this application use calendar year data rather than the fiscal year (FYE June 30) data in the ASTC Joint Annual Reports.

HISTORICAL DATA CHART -- DIGESTIVE DISORDERS ENDOSCOPY CENTER (NOW CHATTANOOGA ENDOSCOPY CENTER)

Give information for the last three (3) years for which complete data are available for the facility or agency.

The fiscal year begins in January.

		CY 2012	CY 2013	CY 2014
	Cases	2280	2363	2152
A.	Utilization Data			
B.	Revenue from Services to Patients			
1.	Inpatient Services	$		
2.	Outpatient Services	3,945,315	4,295,940	3,958,564
3.	Emergency Services			
4.	Other Operating Revenue			
	(Specify) See notes page			
	Gross Operating Revenue	$ 3,945,315	$ 4,295,940	$ 3,958,564
C.	Deductions for Operating Revenue			
1.	Contractual Adjustments	$ 2,701,721	3,021,504	2,761,454
2.	Provision for Charity Care	28,782	45,931	20,796
3.	Provisions for Bad Debt	2,216	70,143	43,420
	Total Deductions	$ 2,732,719	$ 3,137,578	$ 2,825,670
NET OPERATING REVENUE		$ 1,212,596	$ 1,158,362	$ 1,132,894
D.	Operating Expenses			
1.	Salaries and Wages	$ 382,518	418,391	441,393
2.	Physicians Salaries and Wages			
3.	Supplies	93,822	111,581	118,704
4.	Taxes	60,986	45,948	39,315
5.	Depreciation	60,058	75,548	38,412
6.	Rent	70,357	74,332	82,184
7.	Interest, other than Capital	(967)		
8.	Management Fees			
	a. Fees to Affiliates	48,000	48,000	48,000
	b. Fees to Non-Affiliates			
9.	Other Expenses (Specify) See notes page	167,408	172,808	226,260
	Total Operating Expenses	$ 882,182	946,608	994,268
E.	Other Revenue (Expenses) -- Net (Specify)	$	$	$
NET OPERATING INCOME (LOSS)		$ 330,414	$ 211,754	$ 138,626
F.	Capital Expenditures			
1.	Retirement of Principal	$	$ 14,577	$ 36,261
2.	Interest	0	1,376	2,977
	Total Capital Expenditures	$ 0	$ 15,953	$ 39,238
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES		$ 330,414	$ 195,801	$ 99,388

SUPPLEMENTAL #1
June 22, 2015
12:58 pm

PROJECTED DATA CHART-- DIGESTIVE DISORDERS ENDOSCOPY CENTER
(REVISED ON SUPPLEMENTAL CYCLE)

Give information for the two (2) years following the completion of this proposal.

The fiscal year begins in January.

			CY 2017	CY 2018
	Cases		11442	11542
A.	Utilization Data			
B.	Revenue from Services to Patients			
	1. Inpatient Services		$	$
	2. Outpatient Services		21,685,100	22,093,368
	3. Emergency Services			
	4. Other Operating Revenue (Specify)	See notes page		
		Gross Operating Revenue	$ 21,685,100	$ 22,093,368
C.	Deductions for Operating Revenue			
	1. Contractual Adjustments		$ 15,171,419	$ 15,459,382
	2. Provision for Charity Care		76,801	78,247
	3. Provisions for Bad Debt		230,860	232,878
		Total Deductions	$ 15,479,080	$ 15,770,507
NET OPERATING REVENUE			$ 6,206,020	$ 6,322,861
D.	Operating Expenses			
	1. Salaries and Wages		$ 1,573,700	$ 1,620,911
	2. Physicians Salaries and Wages			
	3. Supplies		656,384	681,629
	4. Taxes		161,400	161,400
	5. Depreciation		452,137	452,137
	6. Rent		190,367	181,020
	7. Interest, other than Capital		2,977	2,977
	8. Management Fees			
	a. Fees to Affiliates		186,181	189,686
	b. Fees to Non-Affiliates			
	9. Other Expenses (Specify)	See notes page	1,094,517	1,131,583
	Dues, Utilities, Insurance, and Prop Taxes.			
		Total Operating Expenses	$ 4,317,663	$ 4,421,343
E.	Other Revenue (Expenses) -- Net (Specify)		$	$
NET OPERATING INCOME (LOSS)			$ 1,888,357	$ 1,901,518
F.	Capital Expenditures			
	1. Retirement of Principal		$ 836,088	$ 877,893
	2. Interest		284,350	242,546
		Total Capital Expenditures	$ 1,120,438	$ 1,120,439
NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES			$ 767,919	$ 781,079

SUPPLEMENTAL #1
June 22, 2015
12:58 pm

THE CHATTANOOGA ENDOSCOPY CENTER

D9--OTHER EXPENSES	HISTORIC DATA CHART 2012	2013	2014	PROJECTED DATA CHART 2017	2018
Management Fee to AmSurg–New Location	na	na	na	na	na
7301-0000 Linen service	$8,227	$9,391	$7,884	$43,596	$45,273
7305-0000 Medical waste	$423	$31	$870	$4,812	$4,997
7306-0000 Medical specialist fee	$12,000	$12,000	$12,000	$12,000	$12,000
7309-0000 Billing service	$51,173	$39,397	$41,906	$232,726	$237,107
7321-0000 Collection fees	$2,372	$177	$168	$927	$962
7323-0000 Contract services	$13,531	$13,444	$18,438	$101,952	$105,873
7327-0000 Uniform allowance	$1,549	$1,194	$1,359	$7,517	$7,806
7331-0000 GP travel	$4,116	$3,747	$6,486	$35,867	$37,246
7333-0000 LP travel	$1,393	$1,014	$2,827	$15,631	$16,233
7337-0000 Business meals and entertainment	$2,825	$1,549	$4,933	$27,280	$28,329
7339-0000 Office supplies	$8,875	$12,160	$22,501	$124,423	$129,209
7341-0000 Postage	$675	$92	$386	$2,134	$2,217
7343-0000 Express delivery	$328	$302	$1,039	$5,744	$5,965
7347-0000 Telephone	$7,477	$7,250	$6,524	$36,075	$37,463
7349-0000 Dues and subscriptions	$3,192	$3,155	$5,930	$32,789	$34,050
7351-0000 Meetings and conferences	$583	$1,684	$707	$3,908	$4,058
7353-0000 Maintenance scopes	$209	$0	$20,400	$87,483	$90,848
7355-0000 Maintenance other	$3,914	$18,901	$15,356	$65,850	$68,383
7356-0000 Software maintenance contracts	$9,710	$9,478	$16,023	$68,713	$71,356
7357-0000 Advertising	$4,196	$5,019	$8,189	$35,117	$36,468
7361-0000 Donations and contributions	$100	$1,000	$0	$0	$0
7363-0000 Employee recruiting cost	$245	$916	$1,528	$8,450	$8,775
7369-0000 Other operating expense	$9,539	$14,140	$9,172	$39,334	$40,847
7371-0000 Accreditation fee	$3,739			$0	$0
Total other variable expenses				$0	$0
Fixed expenses:				$0	$0
7412-0000 Rent equipment	$1,817	$1,298	$767	$3,289	$3,416
7421-0000 Insurance malpractice	$7,028	$7,352	$6,787	$37,528	$38,971
7422-0000 Insurance other	$4,720	$5,867	$6,204	$26,606	$27,630
CAM PASS THROUGHS				$0	$0
HOUSEKEEPING				$0	$0
7431-0000 Utilities	$3,818	$4,233	$7,077	$30,349	$31,516
8109-0000 Miscellaneous other income	-$369	-$1,982	-$1,273	-$7,037	-$7,308
8201-0000 Loss on disposition of assets	$0	$0	$2,071	$11,453	$11,893
TOTAL	$167,408	$172,808	$226,260	$1,094,517	$1,131,583

C(II).5. PLEASE IDENTIFY THE PROJECT'S AVERAGE GROSS CHARGE, AVERAGE DEDUCTION FROM OPERATING REVENUE, AND AVERAGE NET CHARGE.

Table Eleven: The Chattanooga Endoscopy Center Average Charges, Deductions, and Net Charges		
	CY2017	**CY2018**
Cases	11,422	11,542
Average Gross Charge Per Case	$1,895	$1,914
Average Deduction Per Case	$1,353	$1,366
Average Net Charge (Net Operating Revenue) Per Case	$542	$548
Average Net Operating Income Per Case After Capital Expenditures	$160	$160

C(II).6.A. PLEASE PROVIDE THE CURRENT AND PROPOSED CHARGE SCHEDULES FOR THE PROPOSAL. DISCUSS ANY ADJUSTMENT TO CURRENT CHARGES THAT WILL RESULT FROM THE IMPLEMENTATION OF THE PROPOSAL. ADDITIONALLY, DESCRIBE THE ANTICIPATED REVENUE FROM THE PROPOSED PROJECT AND THE IMPACT ON EXISTING PATIENT CHARGES.

The applicant CEC will not have its gross charge structure modified by this project. Charges in 2017 are expected to be only 3% higher on average than in 2015. Please see Table Thirteen on the second following page.

C(II).6.B. COMPARE THE PROPOSED CHARGES TO THOSE OF SIMILAR FACILITIES IN THE SERVICE AREA/ADJOINING SERVICE AREAS, OR TO PROPOSED CHARGES OF PROJECTS RECENTLY APPROVED BY THE HSDA. IF APPLICABLE, COMPARE THE PROJECTED CHARGES OF THE PROJECT TO THE CURRENT MEDICARE ALLOWABLE FEE SCHEDULE BY COMMON PROCEDURE TERMINOLOGY (CPT) CODE(S).

There are no other dedicated endoscopy centers in the Chattanooga area, so Table Twelve below compares this project's CY 2017 charges to the FYE 2014 charges of Nashville and Knoxville endoscopy centers.

Table Twelve: CEC Charges in CY2017 Compared to FYE 2014 Charges at Other Endoscopy Centers in Knoxville and Nashville

Facility	Cases (Patients) Fiscal	Gross Charges	Gross Charges Per Case	Net Revenue	Net Revenue Per case
Digest. Disease Endo. Center (Nashville)	6,162	$9,148,179	$1,485	$5,242,063	$851
Nashville Endo. Center (Nashville)	2,870	$11,209,263	$3,906	$2,128,551	$742
The Endoscopy Center (Knoxville)	8,402	$17,668,336	$2,103	$5,367,724	$639
The Endoscopy Center West (Knox)	4,193	$8,937,499	$2,132	$2,501,911	$597
Associated Endoscopy (Nashville)	5,031	$8,220,082	$1,634	$2,902,350	$577
The Endoscopy Center North (Knoxville)	5,353	$11,650,650	$2,176	$3,018,963	$564
Chattanooga Endo. Center (Hamilton) *	2,332	$4,260,120	$1,827	$1,167,730	$501
~~THIS PROJECT CY 2017~~	~~11,442~~	~~$21,685,100~~	~~$1,895~~	~~$6,206,020~~	~~$542~~
NV GI Endo. Center (Nashville)	2,594	$2,748,480	$1,060	$1,210,816	$467
Mid-State Endo. Center (Nashville)	2,436	$2,697,619	$1,107	$1,108,610	$455
Southern Endo. Center (Nashville)	2,711	$2,707,995	$999	$1,153,111	$425

*Source: 2014 Joint Annual Reports of ASTC's. (*2014 JAR of CEC is being amended to reflect 2,332 cases/patients as shown in this table.) FYE data reported in the JAR is the only source for comparison.*

The following page contains Table Thirteen, showing the CEC's most frequent procedures performed, with their current Medicare reimbursement, and their projected Year One and Two average gross charges.

Table Thirteen: The Chattanooga Endoscopy Center
Most Frequent Surgical Procedures and Average Gross Charges
Current and Proposed

CPT	Descriptor	Current Medicare Allowable	Average Gross Charge		
			Current Average	Year 1 CY2017	Year 2 CY2018
43239	Upper gi endoscopy, biopsy	$382.23	$1,485	$1,500	$1,515
45380	Colonoscopy and biopsy	$404.92	$1,485	$1,500	$1,515
45378	Diagnostic colonoscopy	$404.92	$1,485	$1,500	$1,515
43248	Upper gi endoscopy/guide wire	$382.23	$1,485	$1,500	$1,515
45385	Lesion removal colonoscopy	$404.92	$1,485	$1,500	$1,515
G0105	Colorectal scrn; hi risk individual	$335.80	$1,485	$1,500	$1,515
G0121	Colon ca scrn; not high risk	$335.80	$1,485	$1,500	$1,515
43235	Upper gi endoscopy, diagnosis	$382.23	$1,050	$1,061	$1,071
46221	Hemorrhoidectomy	$167.25	$1,050	$1,061	$1,071
45381	Colonoscopy, submuccous inj	$404.92	$1,485	$1,500	$1,515
45330	Flexible Sigmoidoscopy	$93.66	$1,050	$1,061	$1,071
43450	Dilate Esophagus	$382.23	$1,050	$1,061	$1,071
43249	Esoph endoscopy, Dilation	$545.89	$1,485	$1,500	$1,515
43251	Operative upper gi endoscopy	$545.89	$1,485	$1,500	$1,515
45338	Sigmoidoscopy w/tumor removal	$424.17	$1,485	$1,500	$1,515

Source: AmSurg

C(II).7. DISCUSS HOW PROJECTED UTILIZATION RATES WILL BE SUFFICIENT TO MAINTAIN COST-EFFECTIVENESS.

This is an existing endoscopy center whose cases in 2014 were modest in number, but which showed a positive operating margin, and net revenues per case that were below the $582 average for 11 endoscopy centers in Chattanooga, Knoxville, and Nashville. With a 2017 caseload 500% as large as in 2014, CEC is projected to maintain its current cost-effectiveness while improving patient accessibility and improving facility efficiency.

C(II).8. DISCUSS HOW FINANCIAL VIABILITY WILL BE ENSURED WITHIN TWO YEARS; AND DEMONSTRATE THE AVAILABILITY OF SUFFICIENT CASH FLOW UNTIL FINANCIAL VIABILITY IS MAINTAINED.

This existing endoscopy center is financially viable and has a positive cash flow. Its Projected Data Chart for 2017-2018 indicates that this will continue at the new location.

C(II).9. DISCUSS THE PROJECT'S PARTICIPATION IN STATE AND FEDERAL REVENUE PROGRAMS, INCLUDING A DESCRIPTION OF THE EXTENT TO WHICH MEDICARE, TENNCARE/MEDICAID, AND MEDICALLY INDIGENT PATIENTS WILL BE SERVED BY THE PROJECT. IN ADDITION, REPORT THE ESTIMATED DOLLAR AMOUNT OF REVENUE AND PERCENTAGE OF TOTAL PROJECT REVENUE ANTICIPATED FROM EACH OF TENNCARE, MEDICARE, OR OTHER STATE AND FEDERAL SOURCES FOR THE PROPOSAL'S FIRST YEAR OF OPERATION.

Table Fourteen below shows CEC's current overall payor mix. The applicant projects maintaining approximately the same Medicare and TennCare/Medicaid payor mix that is currently being experienced. The Medicare and TennCare/Medicaid payor mix for Year One at the new location are shown in Table Fifteen below.

Table Fourteen: Chattanooga Endoscopy Center 2014-15 Payor Mix

Payor	Percentage
Medicare	32%
TennCare/Medicaid	5%
Blue Cross	30%
Commercial	25%
Other	8%
Total	100%

Table Fifteen: Chattanooga Endoscopy Center Medicare and TennCare/Medicaid Revenues, Year One

	Medicare	TennCare/Medicaid
Gross Revenue	$6,939,232	$1,084,255
Percent of Gross Revenue	32%	5%

C(II).10. PROVIDE COPIES OF THE BALANCE SHEET AND INCOME STATEMENT FROM THE MOST RECENT REPORTING PERIOD OF THE INSTITUTION, AND THE MOST RECENT AUDITED FINANCIAL STATEMENTS WITH ACCOMPANYING NOTES, IF APPLICABLE. FOR NEW PROJECTS, PROVIDE FINANCIAL INFORMATION FOR THE CORPORATION, PARTNERSHIP, OR PRINCIPAL PARTIES INVOLVED WITH THE PROJECT. COPIES MUST BE INSERTED AT THE END OF THE APPLICATION, IN THE CORRECT ALPHANUMERIC ORDER AND LABELED AS ATTACHMENT C, ECONOMIC FEASIBILITY--10.

These are provided as Attachment C, Economic Feasibility--10.

C(II)11. DESCRIBE ALL ALTERNATIVES TO THIS PROJECT WHICH WERE CONSIDERED AND DISCUSS THE ADVANTAGES AND DISADVANTAGES OF EACH ALTERNATIVE, INCLUDING BUT NOT LIMITED TO:

A. A DISCUSSSION REGARDING THE AVAILABILITY OF LESS COSTLY, MORE EFFECTIVE, AND/OR MORE EFFICIENT ALTERNATIVE METHODS OF PROVIDING THE BENEFITS INTENDED BY THE PROPOSAL. IF DEVELOPMENT OF SUCH ALTERNATIVES IS NOT PRACTICABLE, THE APPLICANT SHOULD JUSTIFY WHY NOT, INCLUDING REASONS AS TO WHY THEY WERE REJECTED.

B. THE APPLICANT SHOULD DOCUMENT THAT CONSIDERATION HAS BEEN GIVEN TO ALTERNATIVES TO NEW CONSTRUCTION, E.G., MODERNIZATION OR SHARING ARRANGEMENTS. IT SHOULD BE DOCUMENTED THAT SUPERIOR ALTERNATIVES HAVE BEEN IMPLEMENTED TO THE MAXIMUM EXTENT PRACTICABLE.

The applicant investigated expanding at its present location in the Parkridge Medical Center MOB, but there is not enough space available either adjacent to its present leasehold, or on another floor. Memorial Health System invited the applicant to consider leasing the space now occupied by the Associates of Memorial/Mission ASTC, and a second space on its campus; but neither space was appropriately sized and the lease cost would have been prohibitively high.

At the proposed location, all construction is renovation of existing space; there is no new construction required in this project.

C(III).1. LIST ALL EXISTING HEALTH CARE PROVIDERS (I.E., HOSPITALS, NURSING HOMES, HOME CARE ORGANIZATIONS, ETC.) MANAGED CARE ORGANIZATIONS, ALLIANCES, AND/OR NETWORKS WITH WHICH THE APPLICANT CURRENTLY HAS OR PLANS TO HAVE CONTRACTUAL AND/OR WORKING RELATIONSHIPS, E.G., TRANSFER AGREEMENTS, CONTRACTUAL AGREEMENTS FOR HEALTH SERVICES.

The applicant has transfer agreements in place with TriStar Parkridge Medical Center and with Memorial Health System.

C(III).2. DESCRIBE THE POSITIVE AND/OR NEGATIVE EFFECTS OF THE PROPOSAL ON THE HEALTH CARE SYSTEM. PLEASE BE SURE TO DISCUSS ANY INSTANCES OF DUPLICATION OR COMPETITION ARISING FROM YOUR PROPOSAL, INCLUDING A DESCRIPTION OF THE EFFECT THE PROPOSAL WILL HAVE ON THE UTILIZATION RATES OF EXISTING PROVIDERS IN THE SERVICE AREA OF THE PROJECT.

The project will be beneficial to the health care system. Patients will have easier physical accessibility to parking and to the endoscopy center itself. Also, cases moved from a hospital surgical room to an ASTC surgical room are typically reimbursed at much lower costs by not only Medicare, but also commercial insurers. This saves money for the healthcare system.

The projection for this project in its first year at the new location is 11,442 cases, of which 9,200 are estimated to be cases performed in 2014 largely at Associates of Memorial/Mission Outpatient Surgery Center, and to a lesser extent at Memorial Healthcare System.

But it is important to understand that most of these cases are already moving over to the CEC, and that in 2016 the CEC at its present location can perform 7,500, or 65%, of them. That would leave 3,942 more endoscopic cases to be transferred from other locations, when the CEC opens more surgical capacity on Riverside Drive. Almost all of those will most likely be moved from Memorial's main hospital facility.

C(III).3. PROVIDE THE CURRENT AND/OR ANTICIPATED STAFFING PATTERN FOR ALL EMPLOYEES PROVIDING PATIENT CARE FOR THE PROJECT. THIS CAN BE REPORTED USING FTE'S FOR THESE POSITIONS. IN ADDITION, PLEASE COMPARE THE CLINICAL STAFF SALARIES IN THE PROPOSAL TO PREVAILING WAGE PATTERNS IN THE SERVICE AREA AS PUBLISHED BY THE TENNESSEE DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT AND/OR OTHER DOCUMENTED SOURCES.

The Department of Labor and Workforce Development website indicates the following Upper Central Tennessee region's annual salary information for clinical employees of this project:

Table Sixteen: TDOL Surveyed Average Salaries for the Region

Position	Entry Level	Mean	Median	Experienced
RN	$46,246	$57,282	$56,767	$62,800
Medical Assistant	$21,537	$28,410	$26,639	$31,847

Source: TDOLWD 2014 Survey, Chattanooga Area

Table Seventeen on the following page provides current and proposed staffing patterns for the CEC.

Table Seventeen: Chattanooga Endoscopy Center Current and Projected Staffilng				
Position Type (RN, etc.)	**Current FTE'S**	**Year One FTE's**	**Year Two FTE's**	**Annual Salary Range**
Center Administrator (RN)	1	1	1	$80-90k
Charge RNs	2	2	2	$60-70k
Staff RNs	3	5	5	$55-65k
LPNs	1	2	2	$40-50k
Endoscopy Techs	6	14	14	$30-40k
Medical Assistants	0	1	1	$25-30k
Receptionists	2	3	3	$30-40k
Schedulers	2	2	2	$30-40k
Total FTE's	**17**	**30**	**30**	

Source: AmSurg

C(III).4. DISCUSS THE AVAILABILITY OF AND ACCESSIBILITY TO HUMAN RESOURCES REQUIRED BY THE PROPOSAL, INCLUDING ADEQUATE PROFESSIONAL STAFF, AS PER THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, AND/OR THE DIVISION OF MENTAL RETARDATION SERVICES LICENSING REQUIREMENTS.

The applicant has excellent access to pools of clinical personnel in the Southeast Tennessee and north Georgia market. AmSurg recruits both Statewide and nationally for its nurses and other clinical employees.

C(III).5. VERIFY THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSING CERTIFICATION AS REQUIRED BY THE STATE OF TENNESSEE FOR MEDICAL/CLINICAL STAFF. THESE INCLUDE, WITHOUT LIMITATION, REGULATIONS CONCERNING PHYSICIAN SUPERVISION, CREDENTIALING, ADMISSIONS PRIVILEGES, QUALITY ASSURANCE POLICIES AND PROGRAMS, UTILIZATION REVIEW PPOLICIES AND PROGRAMS, RECORD KEEPING, AND STAFF EDUCATION.

The applicant so verifies.

C(III).6. DISCUSS YOUR HEALTH CARE INSTITUTION'S PARTICIPATION IN THE TRAINING OF STUDENTS IN THE AREAS OF MEDICINE, NURSING, SOCIAL WORK, ETC. (I.E., INTERNSHIPS, RESIDENCIES, ETC.).

C(III).7(a). PLEASE VERIFY, AS APPLICABLE, THAT THE APPLICANT HAS REVIEWED AND UNDERSTANDS THE LICENSURE REQUIREMENTS OF THE DEPARTMENT OF HEALTH, THE DEPARTMENT OF MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES, THE DIVISION OF MENTAL RETARDATION SERVICES, AND/OR ANY APPLICABLE MEDICARE REQUIREMENTS.

The applicant so verifies.

C(III).7(b). PROVIDE THE NAME OF THE ENTITY FROM WHICH THE APPLICANT HAS RECEIVED OR WILL RECEIVE LICENSURE, CERTIFICATION, AND/OR ACCREDITATION

LICENSURE:	Board for Licensure of Healthcare Facilities Tennessee Department of Health
CERTIFICATION:	Medicare Certification from CMS TennCare Certification from TDH and Georgia
ACCREDITATION:	Accreditation Association for Ambulatory Healthcare (AAAHC)

C(III).7(c). IF AN EXISTING INSTITUTION, PLEASE DESCRIBE THE CURRENT STANDING WITH ANY LICENSING, CERTIFYING, OR ACCREDITING AGENCY OR AGENCY.

The applicant is currently licensed in good standing by the Board for Licensing Health Care Facilities, is certified for participation in Medicare and Tennessee and Georgia Medicaid/TennCare, and is fully accredited by the Accreditation Association for Ambulatory Healthcare (AAAHC).

C(III).7(d). FOR EXISTING LICENSED PROVIDERS, DOCUMENT THAT ALL DEFICIENCIES (IF ANY) CITED IN THE LAST LICENSURE CERTIFICATION AND INSPECTION HAVE BEEN ADDRESSED THROUGH AN APPROVED PLAN OF CORRECTION. PLEASE INCLUDE A COPY OF THE MOST RECENT LICENSURE/CERTIFICATION INSPECTION WITH AN APPROVED PLAN OF CORRECTION.

They have been addressed. A copy of the most recent licensure inspection and plan of correction, and/or the most recent accreditation inspection, are provided in Attachment C, Orderly Development--7(C).

C(III)8. DOCUMENT AND EXPLAIN ANY FINAL ORDERS OR JUDGMENTS ENTERED IN ANY STATE OR COUNTRY BY A LICENSING AGENCY OR COURT AGAINST PROFESSIONAL LICENSES HELD BY THE APPLICANT OR ANY ENTITIES OR PERSONS WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE APPLICANT. SUCH INFORMATION IS TO BE PROVIDED FOR LICENSES REGARDLESS OF WHETHER SUCH LICENSE IS CURRENTLY HELD.

None.

C(III)9. IDENTIFY AND EXPLAIN ANY FINAL CIVIL OR CRIMINAL JUDGMENTS FOR FRAUD OR THEFT AGAINST ANY PERSON OR ENTITY WITH MORE THAN A 5% OWNERSHIP INTEREST IN THE PROJECT.

None.

C(III)10. IF THE PROPOSAL IS APPROVED, PLEASE DISCUSS WHETHER THE APPLICANT WILL PROVIDE THE THSDA AND/OR THE REVIEWING AGENCY INFORMATION CONCERNING THE NUMBER OF PATIENTS TREATED, THE NUMBER AND TYPE OF PROCEDURES PERFORMED, AND OTHER DATA AS REQUIRED.

Yes. The applicant will provide the requested data consistent with Federal HIPAA requirements.

PROOF OF PUBLICATION

Attached.

DEVELOPMENT SCHEDULE

1. PLEASE COMPLETE THE PROJECT COMPLETION FORECAST CHART ON THE NEXT PAGE. IF THE PROJECT WILL BE COMPLETED IN MULTIPLE PHASES, PLEASE IDENTIFY THE ANTICIPATED COMPLETION DATE FOR EACH PHASE.

The Project Completion Forecast Chart is provided after this page.

2. IF THE RESPONSE TO THE PRECEDING QUESTION INDICATES THAT THE APPLICANT DOES NOT ANTICIPATE COMPLETING THE PROJECT WITHIN THE PERIOD OF VALIDITY AS DEFINED IN THE PRECEDING PARAGRAPH, PLEASE STATE BELOW ANY REQUEST FOR AN EXTENDED SCHEDULE AND DOCUMENT THE "GOOD CAUSE" FOR SUCH AN EXTENSION.

Not applicable. The applicant anticipates completing the project within the period of validity.

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision Date, as published in Rule 68-11-1609(c):

September 23, 2015

Assuming the CON decision becomes the final Agency action on that date, indicate the number of days from the above agency decision date to each phase of the completion forecast.

PHASE	DAYS REQUIRED	Anticipated Date (MONTH /YEAR)
1. Architectural & engineering contract signed	7	10-1-15
2. Construction documents approved by TDH	72	12-15-15
3. Construction contract signed	88	12-30-15
4. Building permit secured	91	1-2-16
5. Site preparation completed	na	na
6. Building construction commenced	149	3-1-16
7. Construction 40% complete	272	6-30-16
8. Construction 80% complete	232	8-30-16
9. Construction 100% complete	423	12-1-16
10. * Issuance of license	437	12-15-16
11. *Initiation of service	467	1-1-17
12. Final architectural certification of payment	528	3-1-17
13. Final Project Report Form (HF0055)	588	5-1-17

*** For projects that do NOT involve construction or renovation: please complete items 10-11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

JOHN WELLBORN, being first duly sworn, says that he is the lawful agent of the applicant named in this application, that this project will be completed in accordance with the application to the best of the agent's knowledge, that the agent has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete to the best of the agent's knowledge.

John T. Wellborn
SIGNATURE/TITLE
CONSULTANT

Sworn to and subscribed before me this 9th day of June (Month), 2015 (Year) a Notary Public in and for the County/State of DAVIDSON

JAN M. DANFORTH
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY
My Commission Expires July 2, 2018

Jan M. Danforth
NOTARY PUBLIC

My commission expires 07/02/2018 (Month/Day) (Year).

INDEX OF ATTACHMENTS

A.4--Ownership
Legal Entity and Organization Chart

Owners of the Applicant (All Physicians are Credentialed Members of the Medical Staff)

Ownership of The Chattanooga Endoscopy ASC, LLC		
Owner's Names	**Address**	**Membership (%)**
AmSurg Holdings, Inc.	1A Burton Hills Blvd Nashville, TN 37215	35.000%
1. Sumeet Bhushan, MD	2200 East Third Street, Ste 200 Chattanooga, TN 37404	5.416%
2. Chad Charapta, MD	2201 East Third Street, Ste 200 Chattanooga, TN 37404	5.416%
3. David N. Collins, MD	721 Glenwood Drive, Ste E690 Chattanooga, TN 37404	5.416%
4. Donald Hetzel, MD	2515 DeSales Avenue, Ste 206 Chattanooga, TN 37404	5.416%
5. Scott Manton, MD	2515 DeSales Avenue, Ste 206 Chattanooga, TN 37404	5.416%
6. Gregory Olds, MD	2205 East Third Street, Ste 200 Chattanooga, TN 37404	5.416%
7. Henry Paik, MD	2341 McCallie Avenue, Ste 402 Chattanooga, TN 37404	5.417%
8. Vijay Patel, MD	2515 DeSales Avenue, Ste 206 Chattanooga, TN 37404	5.416%
9.Chattanoga Gastroenterology, PC (Richard Sadowitz, MD)	2341 McCallie Avenue, Ste 400 Chattanooga, TN 37404	5.417%
10. Colleen Schmitt, MD	2209 East Third Street, Ste 200 Chattanooga, TN 37404	5.416%
11. Alan Shikoh, MD	721 Glenwood Drive, Ste W473 Chattanooga, TN 37404	5.416%
12. Larry Shuster, MD	2211 East Third Street, Ste 200 Chattanooga, TN 37404	5.416%

Source: AmSurg

Additional Medical Staff Who Are Not Owners:

13. Munford Yates, MD
14. Camille Somer, MD
15. Richard Krause, MD

AMSURG

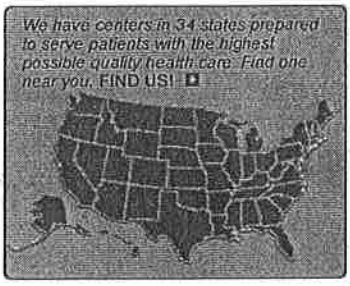
Find Our Centers

State
---Select---

Specialty
---Select---

Find Center

Search in Directory



Our Centers

Central Florida Surgical Center

Address: 11140 West Colonial Drive
Suite 3
Ocoee, FL 34761-3300

Phone: 407-656-2700

Website: http://www.centralfloridagicenters.com

Appointment | Directions to Center

Central Texas Endoscopy Center

Address: 2206 East Villa Maria Drive
Bryan, TX 77802-2547

Phone: 979-774-4211

Website: http://www.centraltexasendoscopy.com

Appointment | Directions to Center

Chevy Chase Endoscopy Center

Address: 5530 Wisconsin Avenue
Suite 500
Chevy Chase, MD 20815-4467

Phone: 301-654-8020

Website: http://www.ccendo.com

Appointment | Directions to Center

Citrus Ambulatory Surgery Center

Address: 2861 South Delaney Avenue
Suite B
Orlando, FL 32806-5409

Phone: 407-472-5095

Website: http://www.centralfloridagicenters.com

Appointment | Directions to Center

Citrus Endoscopy and Surgery Center

Address: 6412 West Gulf to Lake Highway
Crystal River, FL 34429-7622

Phone: 352-563-0223

Website:

Directions to Center

College Heights Endoscopy Center

Address: 3147 College Heights Boulevard
Allentown, PA 18104-4813

Phone: 610-841-2432

Website:

Directions to Center

Columbia Gastrointestinal Endoscopy Center

Address: 2739 Laurel Street
Suite 1B
Columbia, SC 29204-2028

Phone: 803-254-9588

Website: http://www.columbiagicenters.com

Appointment | Directions to Center

Columbus Eye Surgery Center

Arizona Ophthalmic Outpatient Surgery

Address: 300 East Osborn Road
Suite 102
Phoenix, AZ 85012-2383

Directions to Center

Phone: 602-234-8478

Website:

Arkansas Valley Surgery Center

Address: 933 Sells Avenue
Canon City, CO 81212-4900

Appointment
Directions to Center

Phone: 719-275-6433

Website: http://www.arkansasvalleysurgerycenter.com

Associated Endoscopy, L.L.C.

Address: 5653 Frist Boulevard
Suite 532
Hermitage, TN 37076-2067

Appointment
Directions to Center

Phone: 615-316-3066

Website: http://www.associatedendoscopy.com

Next Page

AMSURG

Find Our Centers

State

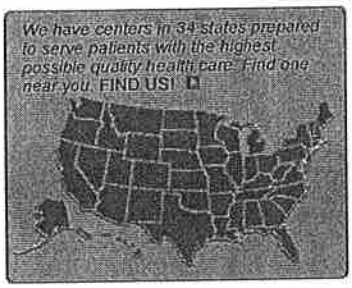
---Select---

Select a Specialty

---Select---

Find Center

Search in Directory



Our Centers

Coral Springs Surgical Center

Directions to Center

Address: 1725 North University Drive
2nd Floor
Coral Springs, FL 33071-6053

Phone: 954-227-7760

Website:

Davis Surgery Center

Directions to Center

Address: 2120 Cowell Boulevard
Suite 142
Davis, CA 95618-7840

Phone: 530-750-7766

Website:

Des Peres Square Surgery Center

Directions to Center

Address: 1050 Old Des Peres Road
Suite 150
St Louis, MO 63131-1874

Phone: 314-569-2918

Website:

Diagnostic Endoscopy Center

Directions to Center

Address: 778 Long Ridge Road
Suite 2
Stamford, CT 06902-1265

Phone: 203-322-2400

Website:

Digestive Disorders Endoscopy Center

DEC

Appointment

Directions to Center

Address: 2341 McCallie Avenue
Suite 303
Chattanooga, TN 37404-3237

Phone: 423-698-3999

Website: http://www.chattanoogaddec.com

Digestive Endoscopy Center - Brubaker

Directions to Center

Address: 999 Brubaker Drive
Suite 3
Kettering, OH 45429-3556

Phone: 937-534-7330

Website:

Digestive Endoscopy Center - Huber Heights

Directions to Center

Address: 7415 Brandt Pike
Huber Heights, OH 45424-3239

Phone: 937-534-7330

Website:

AMSURG

Our Centers

What Is An ASC?

Find Our Centers

State

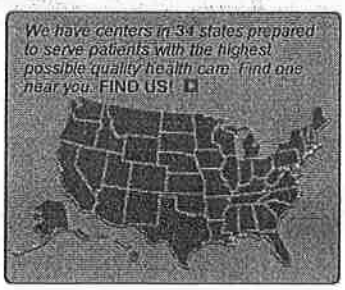
---Select---

Specialty

---Select---

Find Center

Search in Directory



Our Centers

Endoscopy Center of the Central Coast

Address: 77 Casa Street
Suite 106
San Luis Obispo, CA 93405-5804

Appointment
Directions to Center

Phone: 805-541-1021

Website: http://www.centralcoastendoscopycenters.com

Endoscopy Center of the South Bay

Address: 23560 Madison Street
Suite 109
Torrance, CA 90505-4709

Appointment
Directions to Center

Phone: 310-325-6331

Website: http://www.surgerycentersouthbay.com

Endoscopy Center of the Upstate

Address: 14 Hawthorne Park Court
Greenville, SC 29615-3194

Appointment
Directions to Center

Phone: 864-331-0364

Website: http://www.endocenterupstate.com

Endoscopy Center of Yuma

Address: 1030 West 24th Street
Suite I
Yuma, AZ 85364-8384

Appointment
Directions to Center

Phone: 928-343-1717

Website: http://www.endoscopycenteryuma.com

Eye Institute at Boswell

Address: 10541 West Thunderbird Boulevard
Sun City, AZ 85351-3006

Appointment
Directions to Center

Phone: 623-933-3402

Website: http://www.eyeinstituteboswell.com

Eye Surgery and Laser Center of Sebring

Address: 5030 US Highway 27 North
Sebring, FL 33870-1354

Directions to Center

Phone: 863-385-1074

Website:

Eye Surgery and Laser Center, LLC

Address: 409 Avenue K, Southeast
Winter Haven, FL 33880-4126

Directions to Center

Phone: 863-294-3504

Website:

Eye Surgery Center of East Tennessee

Address: 1124 Weisgarber Road

Appointment

1120 Weisgarber Rd

Suite 110
Knoxville, TN 37909-2600

Directions to Center

Phone: 865-588-1037

Website: http://www.eyesurgerycenteretn.com

Eye Surgery Center of Tulsa

Address: 7191 South Yale Avenue
Tulsa, OK 74136-6326

Appointment
Directions to Center

Phone: 918-524-1600

Website: http://www.eyesurgerycenteroftulsa.com

EyeCare Consultants Surgery Center

Address: 101 NW First Street
Suite 104, Old Post Office Place
Evansville, IN 47708-1220

Directions to Center

Phone: 812-435-2372

Website:

First Page | Previous Page | Next Page

102

Existing Partners >

AMSURG

Our Centers

What Is An ASC?

Where We Are

Board Of Directors

Senior Management

Contact Us

Find Our Centers

State

---Select---

Select Specialty

---Select---

Find Center

Search in Directory

We have centers in 34 states prepared to serve patients with the highest possible quality health care. Find one near you. FIND US!

Our Centers

Mid Florida Surgery Center

Address: 17564 U.S. Highway 441
Mount Dora, FL 32757-6711

Directions to Center

Phone: 352-735-4100

Website:

Mid-Atlantic Endoscopy Center

Address: 4923 Ogletown-Stanton Rd.
Newark, DE 19713-2081

Directions to Center

Phone: 302-993-0310

Website:

Middlesex Endoscopy Center

Address: 45 A Discovery Way
Acton, MA 01720-4482

Appointment
Directions to Center

Phone: 978-429-2000

Website: www.middlesexdigestive.com/

Mid-South Endoscopy Center

Address: 1510 1/2 Hatcher Lane
Columbia, TN 38401-4825

Appointment
Directions to Center

Phone: 931-381-7818

Website: http://www.midsouthendocenter.com

Minneapolis Eye Center

Address: 8401 Golden Valley Road
Suite 340
Golden Valley, MN 55427-4488

Appointment
Directions to Center

Phone: 763-383-4150

Website: http://www.mpls eye.com

Mission Valley Heights Surgery Center

Address: 7485 Mission Valley Road
Suite 106
San Diego, CA 92108-4407

Appointment
Directions to Center

Phone: 619-291-3737

Website: http://www.mvhsc.com

North Hills Gastroenterology Endoscopy Center

Address: 3344 North Futrall Drive
Suite 3
Fayetteville, AR 72703-4057

Appointment
Directions to Center

Phone: 479-582-7280

Website: http://www.northhillsendoscopy.com

North Metro Surgery Center

Existing Partners

AMSURG

Our Centers

What Is An ASC?

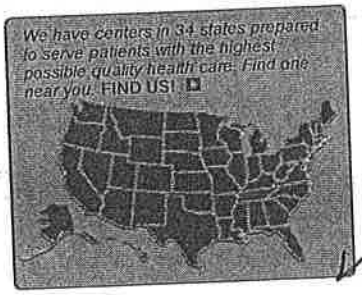
Find Our Centers

State
---Select---

Board Certified Specialty
---Select---

Find Center

Search in Directory



Our Centers

St Cloud Center for Ophthalmic Surgery

Address: 2055 North 15th Street
Suite B
St. Cloud, MN 56303-1543

Phone: 320-258-6620

Website: http://www.stcloudeyesurgery.com

Appointment
Directions to Center

St. George Endoscopy Center

Address: 368 East Riverside Drive
Suite B
St. George, UT 84790-6898

Phone: 435-674-3109

Website:

Directions to Center

St. Thomas Medical Group Endoscopy Center

Address: 4230 Harding Road
Suite 400
Nashville, TN 37205-4900

Phone: 615-250-4108

Website: http://www.stmgendo.com

Appointment
Directions to Center

Sterling Surgery Center

Address: 1441 Wilkins Circle
Casper, WY 82601-1337

Phone: 307-265-1792

Website:

Directions to Center

Summit Surgical Center

Address: 1630 East Herndon Avenue
Suite 100
Fresno, CA 93720-3391

Phone: 559-449-2888

Website:

Directions to Center

Sun City Endoscopy Center

Address: 13203 North 103 Avenue
Suite C3
Sun City, AZ 85351-3028

Phone: 623-972-5083

Website:

Directions to Center

Sun City West Ambulatory Surgery Center

Address: 14416 West Meeker Boulevard
Suite 103
Sun City, AZ 85375-5284

Phone: 623-583-5280

Website:

Directions to Center

Existing Partners

AMSURG

Our Centers

What Is An ASC?

Find Our Centers

State

---Select---

Specialty

---Select---

Find Center

Search in Directory

We have centers in 34 states prepared to serve patients with the highest possible quality health care. Find one near you. FIND US!

Our Centers

Team Vision Surgery Center

Address: 6100 East Central Avenue
Suite 5
Wichita, KS 67208-4237

Directions to Center

Phone: 316-681-2020

Website:

Temecula Valley Endoscopy Center

Address: 25150 Hancock Avenue
Suite 208
Murrieta, CA 92562-5989

Appointment | Directions to Center

Phone: 951-698-8805

Website: http://gidocs4u.com/

Templeton Endoscopy Center

Address: 1320 Las Tablas
Suite A
Templeton, CA 93465-9711

Appointment | Directions to Center

Phone: 805-434-9950

Website: http://www.centralcoastendoscopycenters.com

Tennessee Endoscopy Center

Address: 1706 East Lamar Alexander Parkway
Maryville, TN 37804-6204

Appointment | Directions to Center

Phone: 865-983-0073

Website: http://www.tennesseeendo.com

Texas GI Endoscopy Center

Address: 2704 North Galloway Avenue
Suite 102
Mesquite, TX 75150-6378

Appointment | Directions to Center

Phone: 972-270-3590

Website: http://www.texasgicenter.com

The Blue Hen Surgery Center

Address: 655 Bay Road
Suite 5B
Dover, DE 19901-4660

Appointment | Directions to Center

Phone: 302-678-4688

Website: http://www.bluehensurgerycenter.com

The Center for Ambulatory Surgery

Address: 1450 Route 22 West
Mountainside, NJ 07092-2619

Appointment | Directions to Center

Phone: 908-233-2020

Website: http://www.tcfas.net/

The Endo Center at Voorhees

Address: 93 Cooper Road
Suite 100
Voorhees, NJ 08043

Phone: 856-770-1920

Website:

Directions to Center

The Endoscopy and Surgery Center of Topeka

Address: 2200 Southwest 6th Street
Suite 103
Topeka, KS 66606-1707

Phone: 785-354-1254

Website: http://www.topekaendocenter.com

Appointment
Directions to Center

The Endoscopy Center

Address: 801 Weisgarber Road
Suite 100
Knoxville, TN 37909-2707

Phone: 865-588-5121

Website: http://www.knoxvilleendocenter.com

Appointment
Directions to Center

First Page | Previous Page | Next Page

Existing Partners

AMSURG

Our Centers

What Is An ASC?

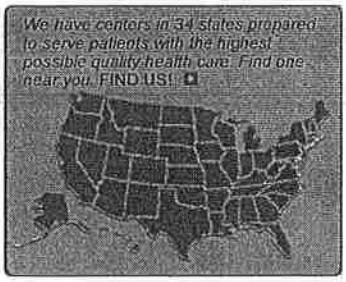
Find Our Centers

State
---Select---

Specialty
---Select---

Find Center

Search in Directory



Our Centers

The Endoscopy Center - East

Address: 3800 South Whitney
Suite 100
Independence, MO 64055-6739

Directions to Center

Phone: 816-478-4887

Website:

The Endoscopy Center - Liberty

Address: 9601 Northeast 79th Street
Kansas City, MO 64158-1117

Directions to Center

Phone: 816-478-4887

Website:

The Endoscopy Center - North

Address: 5330 North Oak Trafficway
Suite 100
Kansas City, MO 64118-4625

Directions to Center

Phone: 816-478-4887

Website:

The Endoscopy Center - West

Address: 11440 Parkside Drive
Suite 100
Knoxville, TN 37934-2658

Appointment
Directions to Center

Phone: 865-588-5121

Website: http://www.knoxvilleendocenter.com

The Endoscopy Center at Meridian

Address: 13313 North Meridian
Building B
Oklahoma City, OK 73120-8316

Appointment
Directions to Center

Phone: 405-755-4140

Website: http://www.tecameridian.com

The Endoscopy Center North

Address: 629 Delozier Way
Powell, TN 37849-4030

Directions to Center

Phone: 865-588-5121

Website:

The Endoscopy Center of Santa Fe

Address: 1630 Hospital Drive
Santa Fe, NM 87505-4773

Directions to Center

Phone: 505-988-3373

Website:

The Endoscopy Center of Washington, D.C.

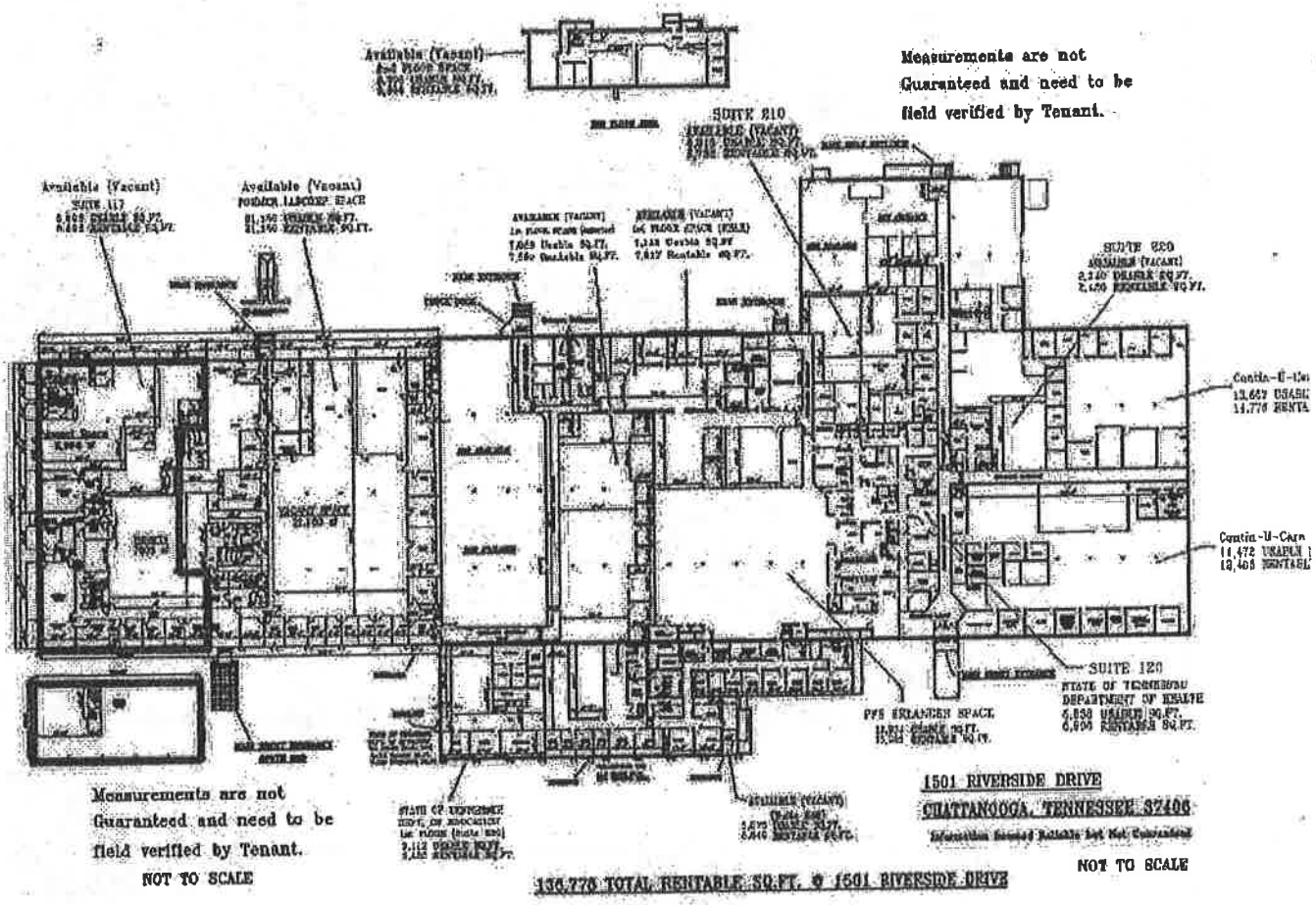
B.II.A.--Square Footage and Costs Per Square Footage Chart

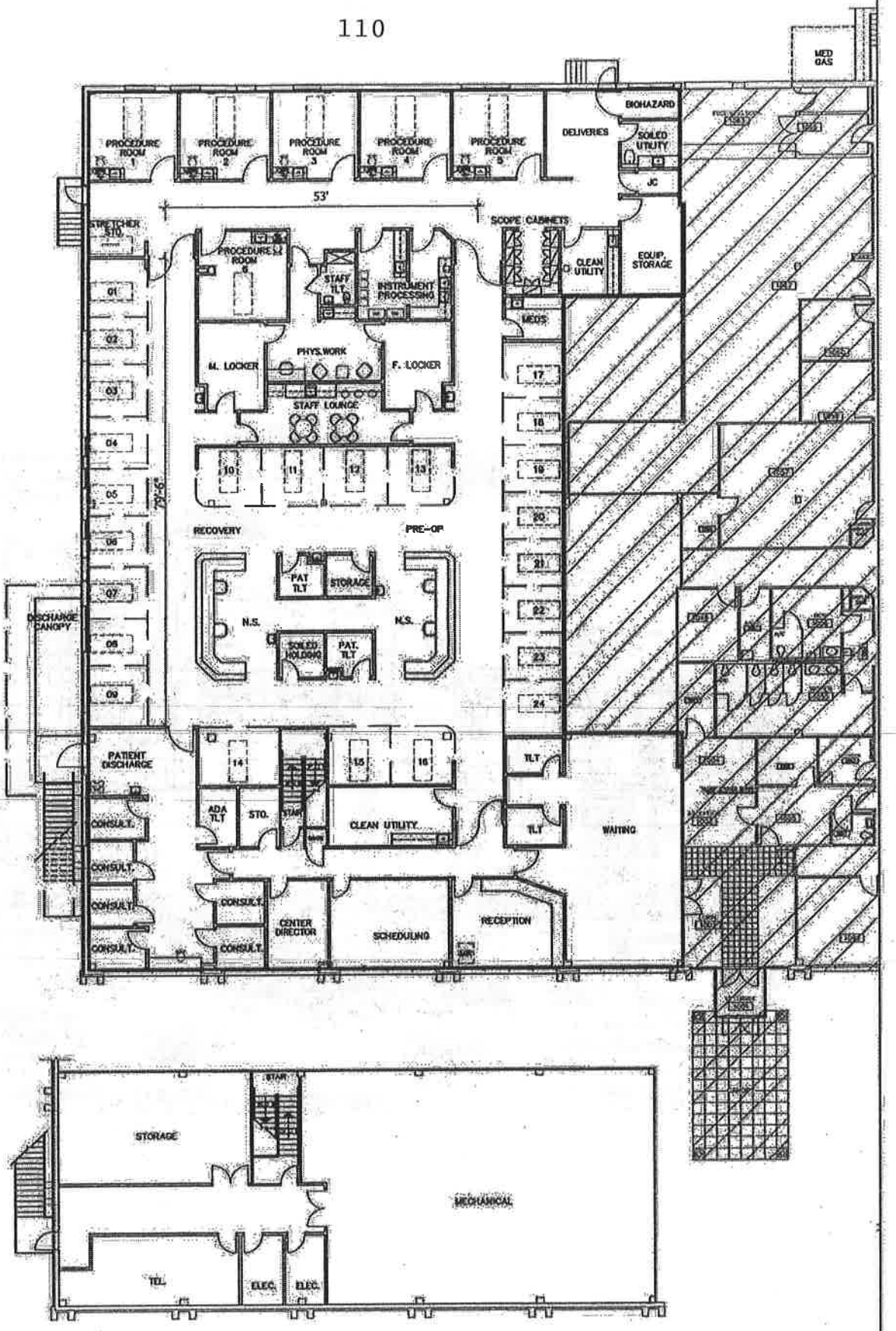
SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost / SF		
					Renovated	New	Total	Renovated	New	Total
Public Reception/Wait				1st	1,439		1,439	$150.00		$215,850.00
Business Office				1st	767		767	$150.00		$115,050.00
Pre-Op				1st	3,058		3,058	$255.00		$779,790.00
Post-Op				1st	3,709		3,709	$255.00		$945,795.00
Support				1st	1,737		1,737	$150.00		$260,550.00
Procedure RMs/Corridor				1st	2,632		2,632	$255.00		$671,160.00
B. Unit/Dept. GSF Sub-Total				1st	13,342		13,342	$223.97		$2,988,207.74
C. Mechanical / Electrical GSF				mezzanine	4,010		4,010	$112.87		$452,608.70
D. Circulation / Structure GSF				1st	158		158	$150.00		$23,700.00
E. Total GSF					17,510		17,510	$197.86		$3,464,500.00

EXHIBIT A

[Location of Premises]





Digestive Disorders Endoscopy Center Relocation

HMK ARCHITECTS PLLC

MAY 27, 2015 - PROPOSED PLAN

NOT FOR CONSTRUCTION

EXHIBIT A-1

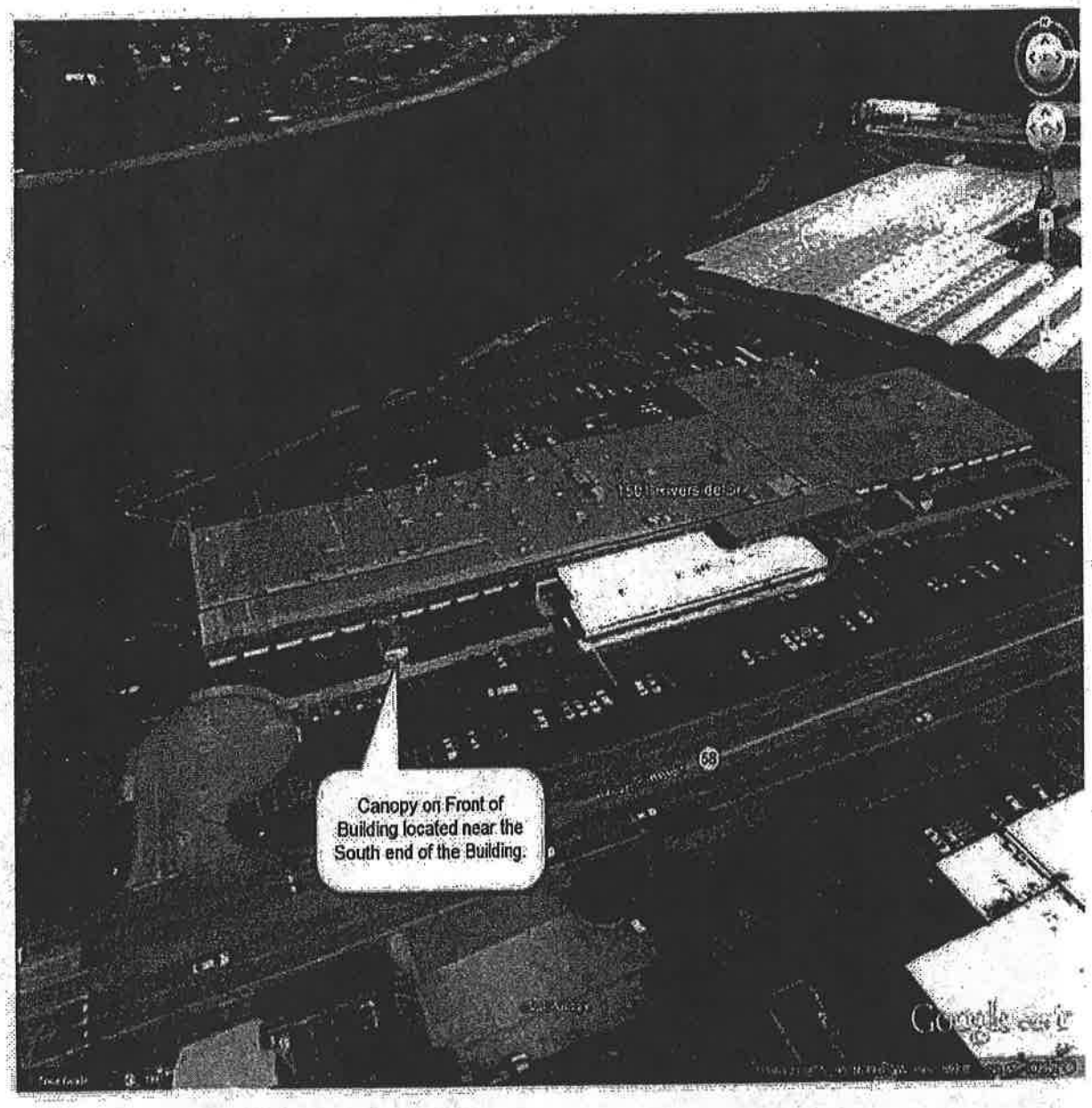
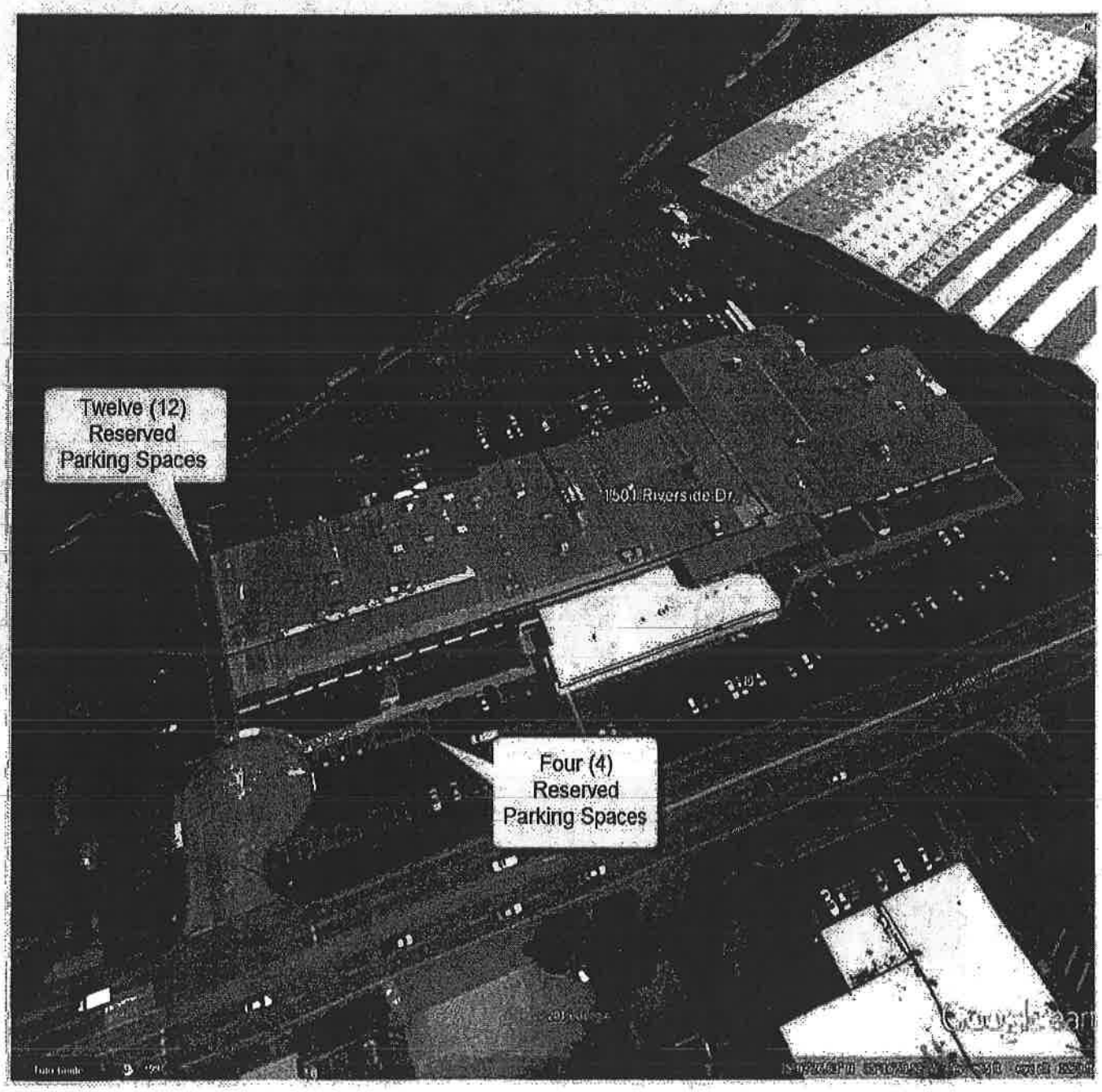
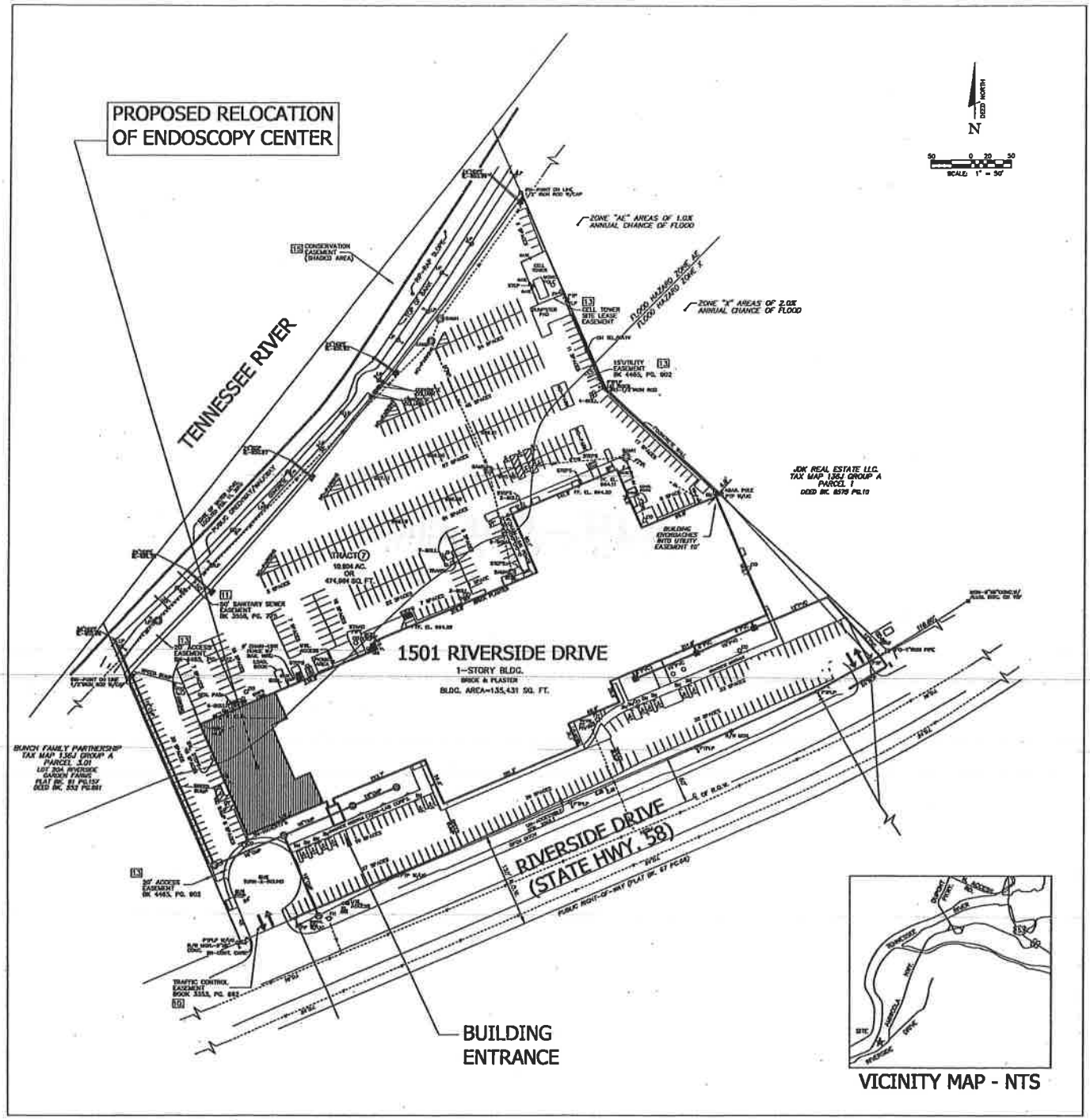

Canopy on Front of Building located near the South end of the Building.

EXHIBIT A-2


Twelve (12)
Reserved
Parking Spaces
1501 Riverside Dr.
Four (4)
Reserved
Parking Spaces

B.III.--Plot Plan



Digestive Disorders Endoscopy Center Relocation

HMK ARCHITECTS PLLC

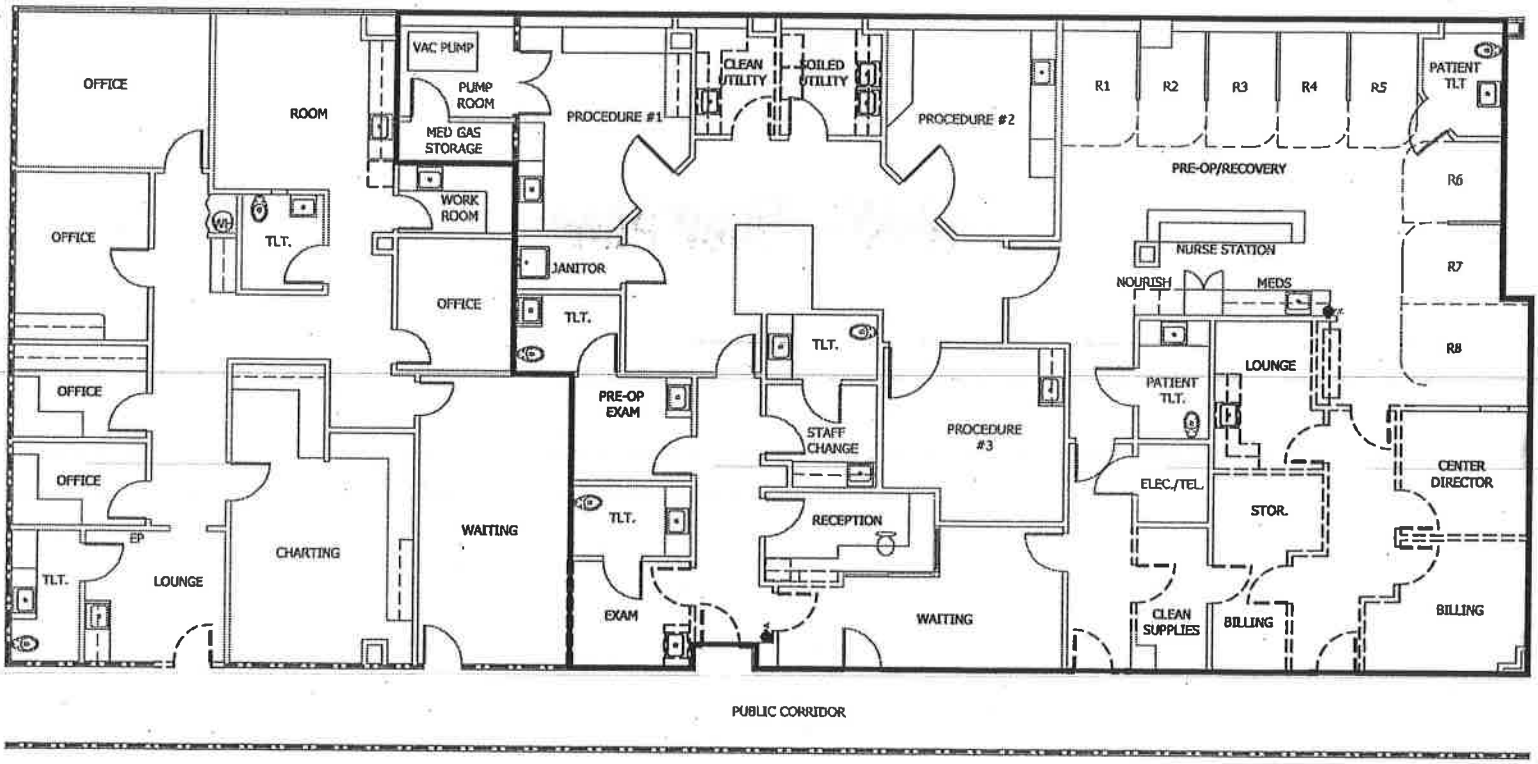
JUNE 4, 2015 - EXISTING PLAN

NOT FOR CONSTRUCTION

PLOT PLAN

NOT TO SCALE

B.IV.--Floor Plan



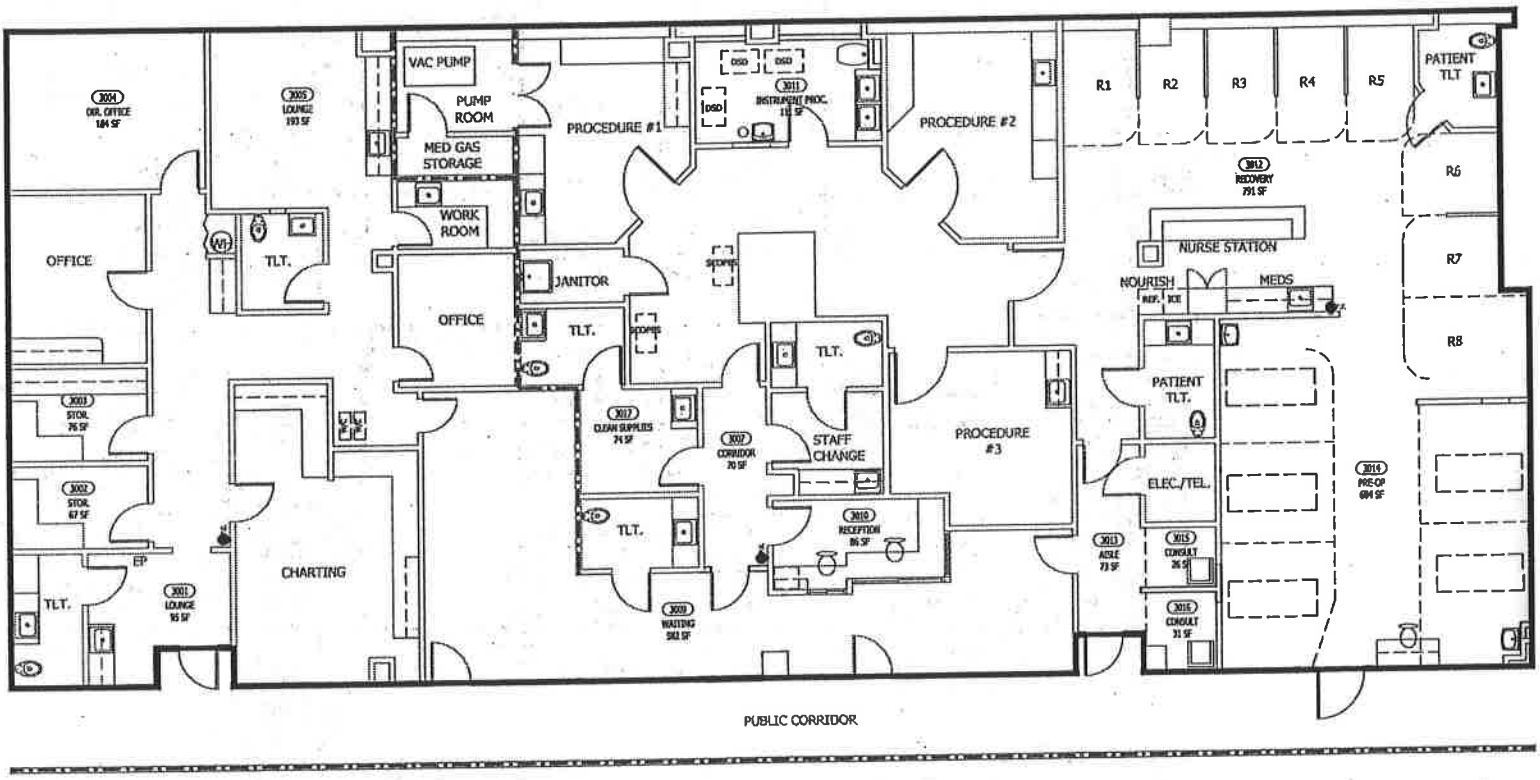
DIGESTIVE DISORDERS ENDOSCOPY CENTER

HMK ARCHITECTS PLLC

APRIL 10, 2015 - EXISTING PLAN 8 Pre- and Post-Op Spaces

NOT FOR CONSTRUCTION

4,022 USABLE SF



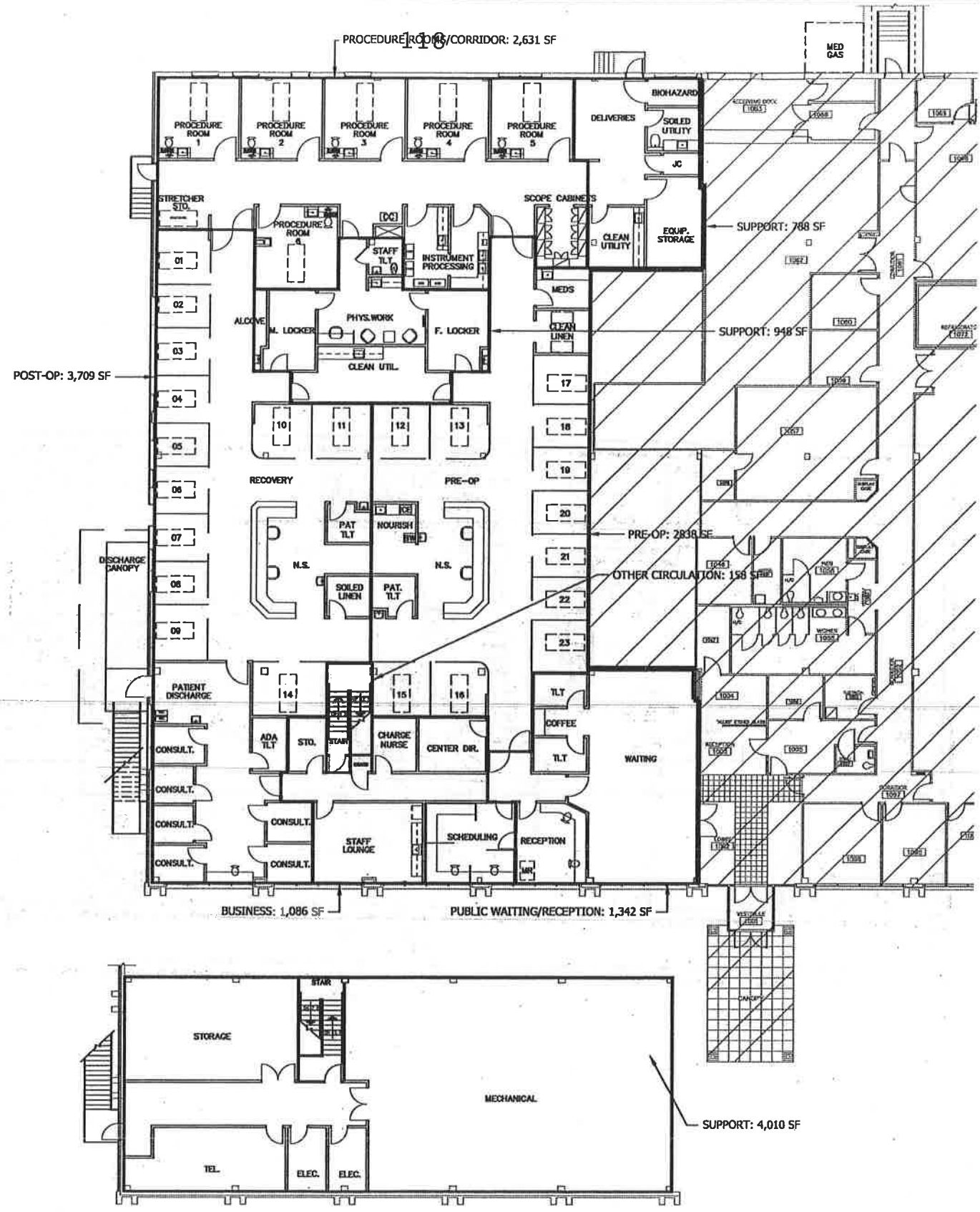
DIGESTIVE DISORDERS ENDOSCOPY CENTER

HMK ARCHITECTS PLLC

APRIL 10, 2015 - PROPOSED PLAN 13 Pre- and Post-Op Spaces

NOT FOR CONSTRUCTION

5,790 EXPANDED SF



Digestive Disorders Endoscopy Center Relocation

HMK ARCHITECTS PLLC

JUNE 4, 2015 - PROPOSED PLAN

NOT FOR CONSTRUCTION

17,510 USABLE SF

NOT TO SCALE

C, Need--1.A
Documentation of Project-Specific Criteria

AMSURG

1A Burton Hills Boulevard Nashville, Tennessee 37215 PHONE 615.665.1283 FAX 615.665.0755 www.amsurg.com

AmSurg Chattanooga Anesthesia, LLC
2341 McCallie Avenue , Suite 303
Chattanooga , TN 37404-3237

To Whom It May Concern:

AmSurg Chattanooga Anesthesia, LLC, currently holds individual contracts with eleven (11) Certified Registered Nurse Anesthetists. Additionally, AmSurg Chattanooga Anesthesia, LLC, is under contract with Digestive Disorders Endoscopy Center to provide anesthesia services utilizing one of the eleven contracted providers each day of operation, for each room in operation. AmSurg Chattanooga Anesthesia, LLC, is operating under full intent to continue provision of services to Digestive Disorders Endoscopy Center and will remain contracted with all relevant US and Tennessee-based government payers including TennCare, Medicare, Medicaid and other government-based insurers.

If additional information is needed, please contact Angela Durham, Associate Vice President, Anesthesia Operations, AmSurg, at adurham@amsurg.com or 615-240-3784.

Sincerely,

Angela Durham

Angela Durham
Associate Vice President
AmSurg Anesthesia

C, Need--1.A.3.e.
Letters of Intent & Qualifications

CHATTANOOGA
ENDOSCOPY CENTER

June 1, 2015

Jillian P. Wright
Regional Vice President--Operations
1A Burton Hills Boulevard
Nashville, Tennessee 37215

Dear Mrs. Wright:

We, the undersigned, are gastroenterologists who perform endoscopic surgeries in the Chattanooga area. This letter is to support the relocation and expansion of the Chattanooga Endoscopy Center, where we currently have procedure privileges.

We estimate that together we will perform at least 11,442 outpatient endoscopy cases annually in that facility, from the time it opens at its new location. We currently perform more than that number of outpatient cases in area facilities.

Sumeet Bhushan, MD

Chad Charapata, MD

Donald Hetzel, MD

Scott Manton, MD

Gregory Olds, MD

Vijay Patel, MD

Colleen Schmitt, MD

Larry Shuster, MD

Munford Yates, MD

David N. Collins, MD

Alan Shikoh, MD

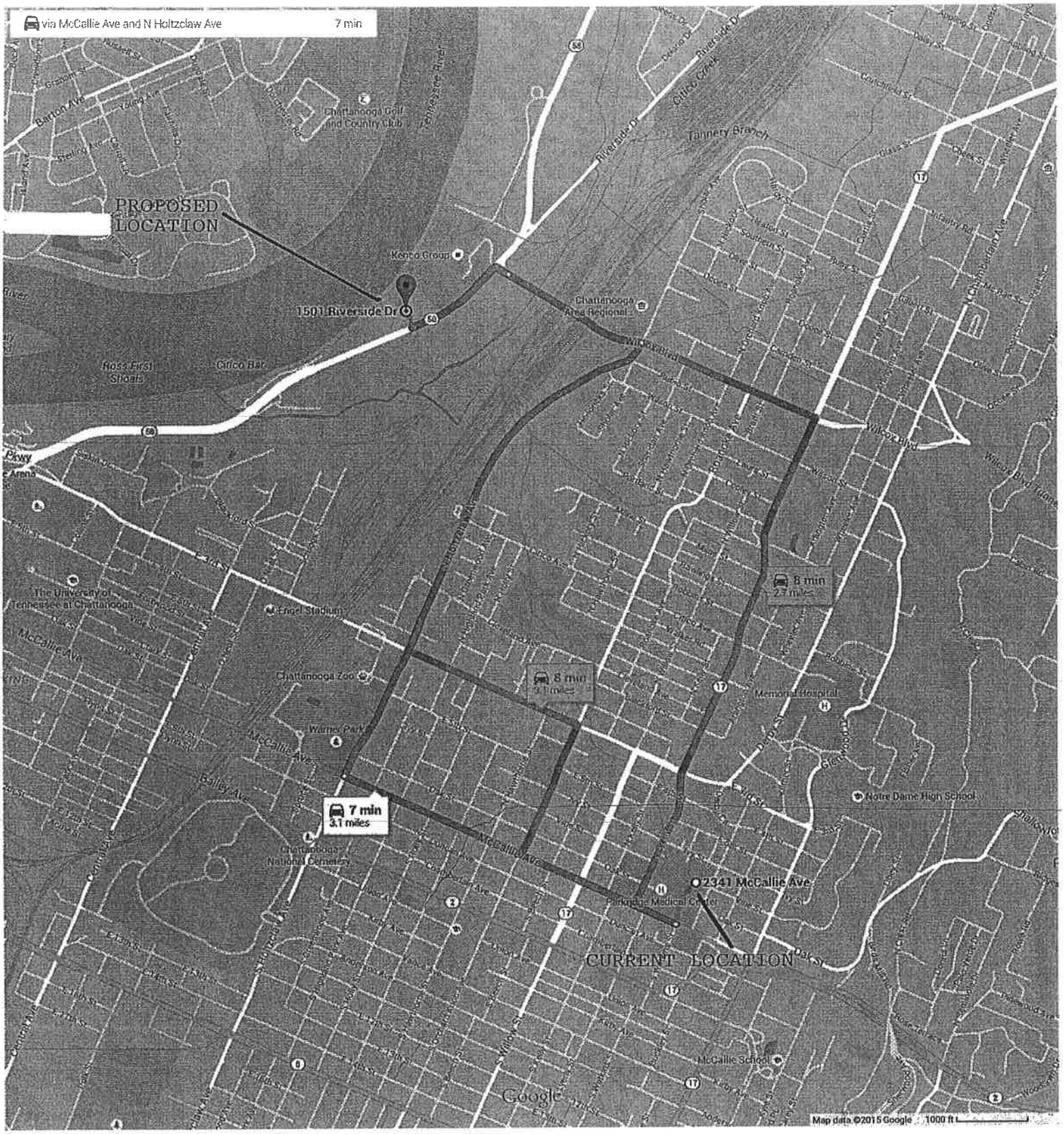
Camille Sommer, MD

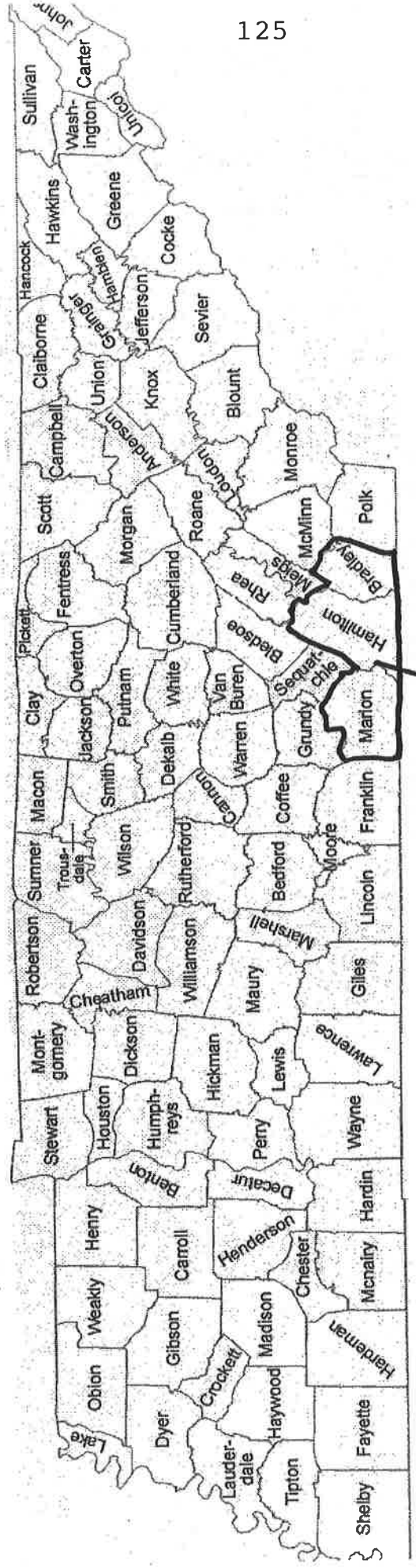
Henry Paik, MD

Richard Sadowitz, MD

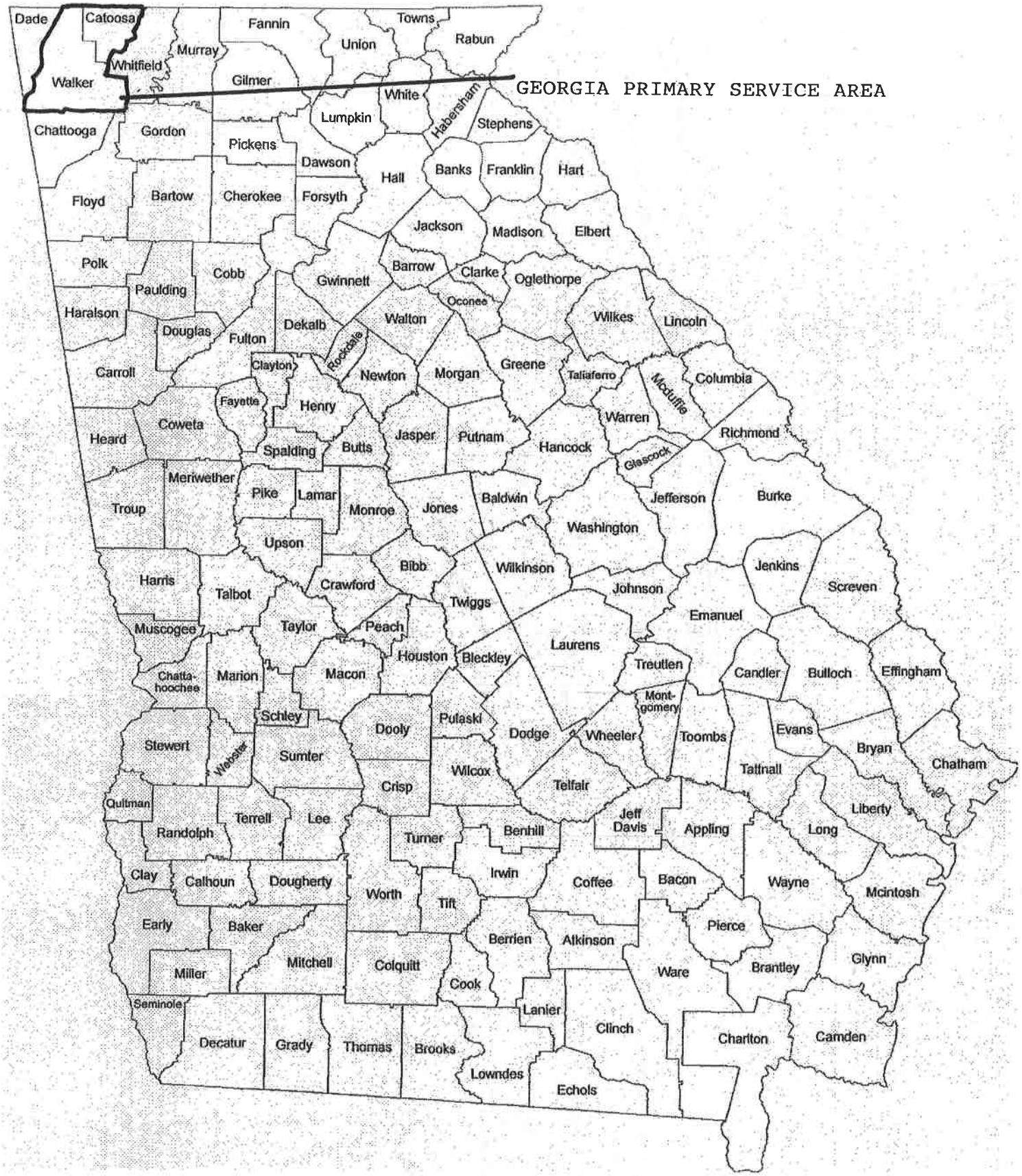
Richard A. Krause, MD

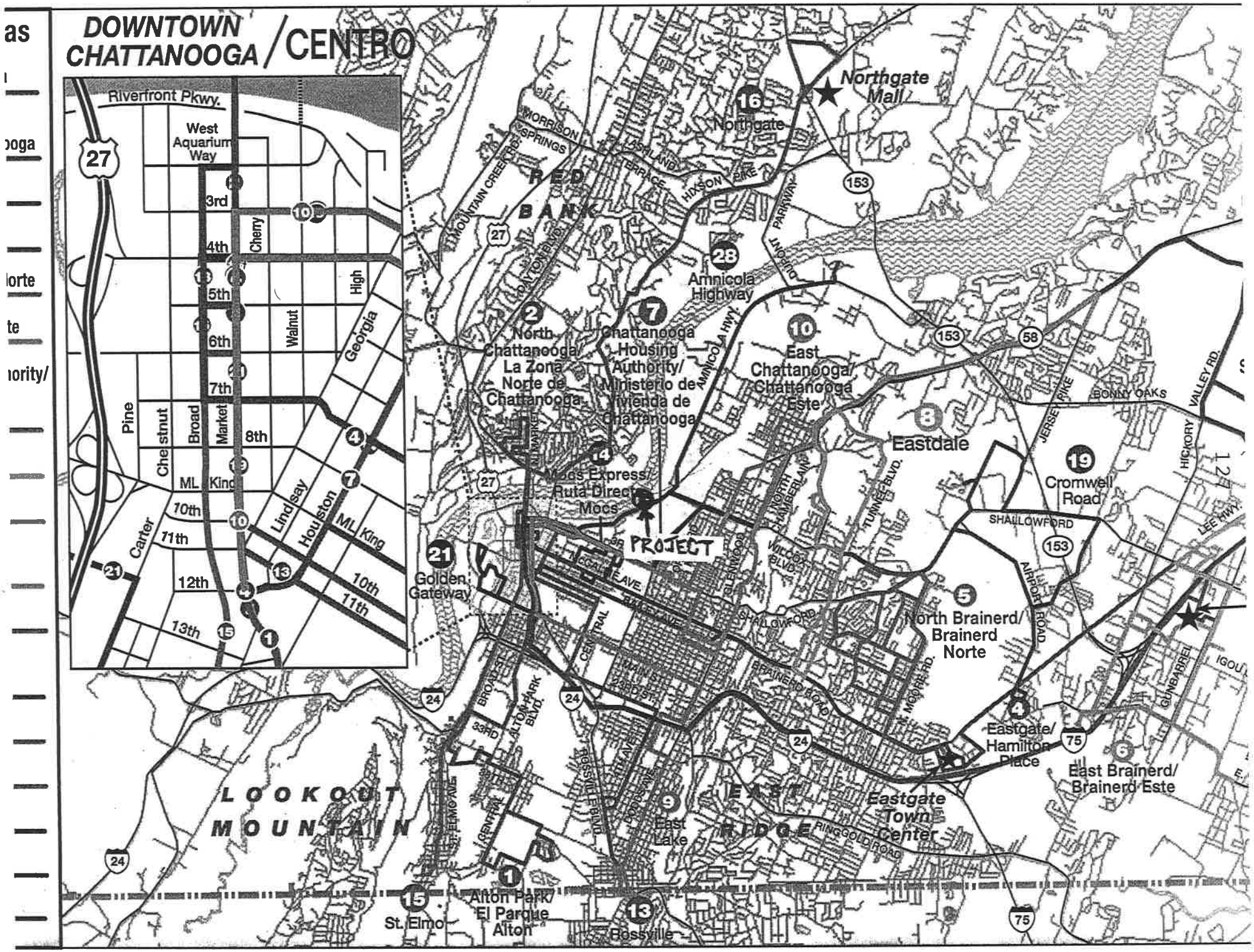
C, Need--3
Service Area Maps


via McCallie Ave and N Holtzclaw Ave
7 min
PROPOSED LOCATION
1501 Riverside Dr
Kenco Group
Chattanooga Area Regional
Chattanooga Golf and Country Club
Tannery Branch
Rose First Shoals
Citico Bar
Citico Creek
Riverside Dr
Wilcox Blvd
The University of Tennessee at Chattanooga
Engel Stadium
Chattanooga Zoo
Warner Park
McCallie Ave
Bailey Ave
Chattanooga National Cemetery
Memorial Hospital
Notre Dame High School
2341 McCallie Ave
CURRENT LOCATION
McCallie School
8 min
2.7 miles
8 min
3.1 miles
7 min
3.1 miles
Google
Map data ©2015 Google
1000 ft



TENNESSEE PRIMARY SERVICE AREA


GEORGIA PRIMARY SERVICE AREA
Dade
Catoosa
Fannin
Towns
Union
Rabun
Murray
Whitfield
Walker
Gilmer
White
Habersham
Stephens
Lumpkin
Chattooga
Gordon
Pickens
Dawson
Hall
Banks
Franklin
Hart
Floyd
Bartow
Cherokee
Forsyth
Jackson
Madison
Elbert
Polk
Cobb
Barrow
Clarke
Oglethorpe
Paulding
Gwinnett
Oconee
Haralson
Douglas
Fulton
Dekalb
Walton
Wilkes
Lincoln
Carroll
Clayton
Rockdale
Newton
Morgan
Greene
Taliaferro
Columbia
Fayette
Henry
Warren
McDuffie
Heard
Coweta
Spalding
Butts
Jasper
Putnam
Hancock
Glascock
Richmond
Meriwether
Pike
Lamar
Monroe
Jones
Baldwin
Jefferson
Burke
Troup
Upson
Washington
Harris
Talbot
Crawford
Bibb
Wilkinson
Jenkins
Screven
Twiggs
Johnson
Muscogee
Taylor
Peach
Emanuel
Laurens
Houston
Bleckley
Treutlen
Candler
Bulloch
Effingham
Chatta-
hoochee
Marion
Macon
Mont-
gomery
Schley
Pulaski
Dooly
Dodge
Wheeler
Toombs
Evans
Bryan
Stewart
Webster
Sumter
Wilcox
Tattnall
Chatham
Crisp
Telfair
Quitman
Terrell
Lee
Jeff
Davis
Appling
Liberty
Randolph
Turner
Benhill
Long
Clay
Calhoun
Dougherty
Irwin
Coffee
Bacon
Wayne
Mcintosh
Worth
Tift
Early
Baker
Pierce
Berrien
Atkinson
Mitchell
Colquitt
Ware
Brantley
Glynn
Miller
Cook
Seminole
Lanier
Clinch
Charlton
Camden
Decatur
Grady
Thomas
Brooks
Lowndes
Echols


DOWNTOWN CHATTANOOGA / CENTRO
Riverfront Pkwy.
West Aquarium Way
3rd
4th
5th
6th
7th
8th
Cherry
High
Walnut
Georgia
Pine
Chestnut
Broad
Market
ML King
Lindsay
Houston
Carter
10th
11th
12th
13th
27
Northgate Mall
16 Northgate
MORRISON SPRINGS
LAUREL TERRACE
HIXSON PIKE
MOUNTAIN CREEK RD.
RED BANK
DAYTON BLVD.
PARKWAY
DUDLEY
153
28 Amnicola Highway
AMNICOLA HWY.
2 North Chattanooga/ La Zona Norte de Chattanooga
7 Chattanooga Housing Authority/ Ministerio de Vivienda de Chattanooga
10 East Chattanooga/ Chattanooga Este
58
JERSEY PIKE
BONNY OAKS
VALLEY RD.
HICKORY
8 Eastdale
19 Cromwell Road
LEE HWY.
14 Moccs Express/ Ruta Directa Moccs
NORTH CHAMBERLAIN
TUNNEL BLVD.
SHALLOWFORD
WILCOX BLVD.
PROJECT
21 Golden Gateway
GLENWOOD
CENTRAL
MAIN ST.
3RD ST.
BROAD ST.
ALTON PARK BLVD.
33RD
24
5 North Brainerd/ Brainerd Norte
AIRPORT ROAD
MCCALLIE AVE.
BRAINERD ROAD
MCCAHILL RD.
4 Eastgate/ Hamilton Place
75
6 East Brainerd/ Brainerd Este
GUNBARREL
LOOKOUT MOUNTAIN
ST. ELMO AVE.
CENTRAL
9 East Lake
EAST RIDGE
Eastgate Town Center
RINGGOLD ROAD
1 Alton Park/ El Parque Alton
15 St. Elmo
13 Rossville
ROSSVILLE BLVD.

C, Economic Feasibility--1
Documentation of Construction Cost Estimate

HMK
ARCHITECTS PLLC

May 15, 2015

Ms. Melanie Hill
Executive Director
State of Tennessee
Health Services and Development Agency
500 Deadrick Street, Suite 850
Nashville, TN 37243

RE: Digestive Disorders Endoscopy Center – Chattanooga, TN
Endoscopy Center Relocation – Verification of Construction Cost

Dear Ms. Hill:

We have reviewed the construction cost developed for the endoscopy center relocation project for Digestive Disorders Endoscopy Center. The construction cost of $3,464,500.00 is based on 13,500 usable square feet of renovation to an existing facility.

It is our professional opinion that the construction cost proposed is consistent with historical data based on our experience with similar type projects. It is important to note, that our opinion is based on normal market conditions, price escalation, etc.

The project will be developed under the current codes and standards enforced by the State of Tennessee as follows:

2012 International Building Code/2012 International Mechanical Code/2012 International Plumbing Code
2012 International Gas Code
2011 National Electrical Code
2012 NFPA 1, excluding NFPA 5000
2012 NFPA 101, Life Safety Code
2010 FGI Guidelines for the Design and Construction of Health Care Facilities
2002 North Carolina Accessibility Code with 2004 Amendments
2010 Americans with Disabilities Act (ADA)

Sincerely,

HMK ARCHITECTS PLLC

Donald C. Miller, NCARB, AIA – [TN License No. 100019]

T (615) 369 6020 | F (615) 369 6021 | 5300 MARYLAND WAY, SUITE 109 | BRENTWOOD, TN 37027 | WWW.HMKA.COM

C, Economic Feasibility--2
Documentation of Availability of Funding

AMSURG

1A Burton Hills Boulevard
Nashville, Tennessee 37215

PHONE 615.665.1283
TOLL FREE 800.945.2301
FAX 615.665.0755

www.amsurg.com

June 1, 2015

Melanie M. Hill, Executive Director
Tennessee Health Facilities Commission
Andrew Jackson State Office Building, Ninth Floor
500 Deaderick Street
Nashville, Tennessee 37243

Dear Mrs. Hill:

The Chattanooga Endoscopy Center (formerly the Digestive Disorders Endoscopy Center) is an existing single-specialty ASTC limited to endoscopy. It is owned by The Chattanooga Endoscopy ASC, LLC, whose members are AmSurg Holdings and twelve Chattanooga gastroenterologists.

The facility is filing a Certificate of Need application to move to a new location in Chattanooga. The actual capital cost of the project is estimated at approximately $5,900,000.

As Chief Financial Officer of AmSurg, I am writing to confirm that AmSurg Corp. will provide all of the required funding for the project in the form of a loan to the applicant LLC. The Certificate of Need application includes the company's financial statements documenting that sufficient cash reserves, operating income, and lines of credit exist to provide that funding.

Sincerely,

Claire Gulmi
Chief Financial Officer and Executive Vice President

2063-Chattanooga GI-$5.9 million-AMSURG-ESTIMATE

Compound Period ..... : Monthly

Nominal Annual Rate .... : 5.000 %

CASH FLOW DATA

	Event	Date	Amount	Number	Period	End Date
1	Loan	01/01/2017	5,900,000.00	1		
2	Payment	02/01/2017	Interest Only	12	Monthly	01/01/2018
3	Payment	02/01/2018	111,340.28	60	Monthly	01/01/2023

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	01/01/2017				5,900,000.00
1	02/01/2017	24,583.33	24,583.33	0.00	5,900,000.00
2	03/01/2017	24,583.33	24,583.33	0.00	5,900,000.00
3	04/01/2017	24,583.33	24,583.33	0.00	5,900,000.00
4	05/01/2017	24,583.33	24,583.33	0.00	5,900,000.00
5	06/01/2017	24,583.33	24,583.33	0.00	5,900,000.00
6	07/01/2017	24,583.33	24,583.33	0.00	5,900,000.00
7	08/01/2017	24,583.33	24,583.33	0.00	5,900,000.00
8	09/01/2017	24,583.33	24,583.33	0.00	5,900,000.00
9	10/01/2017	24,583.33	24,583.33	0.00	5,900,000.00
10	11/01/2017	24,583.33	24,583.33	0.00	5,900,000.00
11	12/01/2017	24,583.33	24,583.33	0.00	5,900,000.00
2017 Totals		270,416.63	270,416.63	0.00	
12	01/01/2018	24,583.33	24,583.33	0.00	5,900,000.00
13	02/01/2018	111,340.28	24,583.33	86,756.95	5,813,243.05
14	03/01/2018	111,340.28	24,221.85	87,118.43	5,726,124.62
15	04/01/2018	111,340.28	23,858.85	87,481.43	5,638,643.19
16	05/01/2018	111,340.28	23,494.35	87,845.93	5,550,797.26
17	06/01/2018	111,340.28	23,128.32	88,211.96	5,462,585.30
18	07/01/2018	111,340.28	22,760.77	88,579.51	5,374,005.79
19	08/01/2018	111,340.28	22,391.69	88,948.59	5,285,057.20
20	09/01/2018	111,340.28	22,021.07	89,319.21	5,195,737.99
21	10/01/2018	111,340.28	21,648.91	89,691.37	5,106,046.62
22	11/01/2018	111,340.28	21,275.19	90,065.09	5,015,981.53
23	12/01/2018	111,340.28	20,899.92	90,440.36	4,925,541.17
2018 Totals		1,249,326.41	274,867.58	974,458.83	
24	01/01/2019	111,340.28	20,523.09	90,817.19	4,834,723.98
25	02/01/2019	111,340.28	20,144.68	91,195.60	4,743,528.38
26	03/01/2019	111,340.28	19,764.70	91,575.58	4,651,952.80
27	04/01/2019	111,340.28	19,383.14	91,957.14	4,559,995.66
28	05/01/2019	111,340.28	18,999.98	92,340.30	4,467,655.36
29	06/01/2019	111,340.28	18,615.23	92,725.05	4,374,930.31
30	07/01/2019	111,340.28	18,228.88	93,111.40	4,281,818.91

2063-Chattanooga GI-$5.9 million-AMSURG-ESTIMATE

	Date	Payment	Interest	Principal	Balance
31	08/01/2019	111,340.28	17,840.91	93,499.37	4,188,319.54
32	09/01/2019	111,340.28	17,451.33	93,888.95	4,094,430.59
33	10/01/2019	111,340.28	17,060.13	94,280.15	4,000,150.44
34	11/01/2019	111,340.28	16,667.29	94,672.99	3,905,477.45
35	12/01/2019	111,340.28	16,272.82	95,067.46	3,810,409.99
2019 Totals		1,336,083.36	220,952.18	1,115,131.18	
36	01/01/2020	111,340.28	15,876.71	95,463.57	3,714,946.42
37	02/01/2020	111,340.28	15,478.94	95,861.34	3,619,085.08
38	03/01/2020	111,340.28	15,079.52	96,260.76	3,522,824.32
39	04/01/2020	111,340.28	14,678.43	96,661.85	3,426,162.47
40	05/01/2020	111,340.28	14,275.68	97,064.60	3,329,097.87
41	06/01/2020	111,340.28	13,871.24	97,469.04	3,231,628.83
42	07/01/2020	111,340.28	13,465.12	97,875.16	3,133,753.67
43	08/01/2020	111,340.28	13,057.31	98,282.97	3,035,470.70
44	09/01/2020	111,340.28	12,647.79	98,692.49	2,936,778.21
45	10/01/2020	111,340.28	12,236.58	99,103.70	2,837,674.51
46	11/01/2020	111,340.28	11,823.64	99,516.64	2,738,157.87
47	12/01/2020	111,340.28	11,408.99	99,931.29	2,638,226.58
2020 Totals		1,336,083.36	163,899.95	1,172,183.41	
48	01/01/2021	111,340.28	10,992.61	100,347.67	2,537,878.91
49	02/01/2021	111,340.28	10,574.50	100,765.78	2,437,113.13
50	03/01/2021	111,340.28	10,154.64	101,185.64	2,335,927.49
51	04/01/2021	111,340.28	9,733.03	101,607.25	2,234,320.24
52	05/01/2021	111,340.28	9,309.67	102,030.61	2,132,289.63
53	06/01/2021	111,340.28	8,884.54	102,455.74	2,029,833.89
54	07/01/2021	111,340.28	8,457.64	102,882.64	1,926,951.25
55	08/01/2021	111,340.28	8,028.96	103,311.32	1,823,639.93
56	09/01/2021	111,340.28	7,598.50	103,741.78	1,719,898.15
57	10/01/2021	111,340.28	7,166.24	104,174.04	1,615,724.11
58	11/01/2021	111,340.28	6,732.18	104,608.10	1,511,116.01
59	12/01/2021	111,340.28	6,296.32	105,043.96	1,406,072.05
2021 Totals		1,336,083.36	103,928.83	1,232,154.53	
60	01/01/2022	111,340.28	5,858.63	105,481.65	1,300,590.40
61	02/01/2022	111,340.28	5,419.13	105,921.15	1,194,669.25
62	03/01/2022	111,340.28	4,977.79	106,362.49	1,088,306.76
63	04/01/2022	111,340.28	4,534.61	106,805.67	981,501.09
64	05/01/2022	111,340.28	4,089.59	107,250.69	874,250.40
65	06/01/2022	111,340.28	3,642.71	107,697.57	766,552.83
66	07/01/2022	111,340.28	3,193.97	108,146.31	658,406.52
67	08/01/2022	111,340.28	2,743.36	108,596.92	549,809.60
68	09/01/2022	111,340.28	2,290.87	109,049.41	440,760.19
69	10/01/2022	111,340.28	1,836.50	109,503.78	331,256.41
70	11/01/2022	111,340.28	1,380.24	109,960.04	221,296.37
71	12/01/2022	111,340.28	922.07	110,418.21	110,878.16
2022 Totals		1,336,083.36	40,889.47	1,295,193.89	

2063-Chattanooga GI-$5.9 million-AMSURG-ESTIMATE

	Date	Payment	Interest	Principal	Balance
72	01/01/2023	111,340.28	462.12	110,878.16	0.00
2023 Totals		111,340.28	462.12	110,878.16	
Grand Totals		6,975,416.76	1,075,416.76	5,900,000.00	

Last interest amount increased by 0.13 due to rounding.

C, Economic Feasibility--10
Financial Statements

E02 IS Centers
Data as of MAY 12, 2015 at 1:51 p.m.

2063-001 Chattanooga GI

Statement of Earnings
For the Period Ending December 31, 2014

	Monthly Actual	Monthly Budget	Prior Month	YTD Actual	YTD Budget	YTD Prior Year
Gross charges:						
GI revenue	385,193	430,872	238,382	3,958,564	4,648,446	4,295,940
Total gross charges	385,193	430,872	238,382	3,958,564	4,648,446	4,295,940
Estimated reserves:						
Contractual adjustments	268,094	304,987	165,914	2,782,249	3,289,238	3,067,435
Bad debt expense	5,393	7,325	3,337	43,420	79,025	70,143
Total estimated adjustments	273,487	312,312	169,251	2,825,669	3,368,263	3,137,578
Net revenue	111,706	118,560	69,131	1,132,894	1,280,183	1,158,362
Operating expenses:						
Salaries and benefits	43,158	39,827	27,194	441,393	458,606	418,391
Medical supplies and drugs	15,134	10,873	12,189	118,714	117,307	111,586
Other variable expenses	24,765	18,061	19,604	247,873	218,373	199,088
Fixed expenses	8,623	8,537	8,496	103,019	101,524	93,081
Operating taxes	874	694	503	9,512	8,328	8,384
Depreciation	3,423	3,421	3,469	38,412	40,304	75,548
Total operating expenses	95,978	81,413	71,456	958,923	944,442	906,077
Operating income	15,728	37,147	(2,325)	173,971	335,741	252,285
Other income and (expense):						
Interest expense, net	(266)	(257)	(270)	(3,085)	(3,505)	(1,520)
Gain (loss) on sale of assets	0	0	0	(2,071)	0	0
Fees and other	90	89	31	1,273	1,068	1,982
Earnings before income taxes	15,552	36,979	(2,565)	170,088	333,304	252,747
Income tax expense	1,011	2,402	(167)	11,056	21,651	16,429
Net earnings	14,541	34,577	(2,398)	159,032	311,653	236,318

E01 Balance Sheet Centers
Data as of MAY 12, 2015 at 1:51 p.m.

2063 Chattanooga GI

Balance Sheets
December 31, 2014

	Dec 2014	Nov 2014	Increase (Decrease)	Dec 2013	Increase (Decrease)
ASSETS					
Current assets:					
Cash and cash equivalents	28,556	15,080	13,476	13,305	15,251
Accounts receivable:					
Accounts receivable gross	367,508	330,552	36,956	400,028	(32,519)
Contractual allowance	(182,753)	(165,280)	(17,473)	(223,201)	40,448
Bad debt allowance	(52,526)	(48,060)	(4,467)	(39,610)	(12,917)
Accounts receivable, net	132,229	117,213	15,016	137,217	(4,987)
Other receivables	2,266	2,176	90	283	1,983
Supplies inventory	35,358	12,215	23,143	12,760	22,598
Prepaid and other current assets	18,329	24,041	(5,713)	20,463	(2,134)
Total current assets	216,737	170,725	46,012	184,026	32,711
Property and equipment:					
Building improvements	540,038	540,038	0	540,038	0
Equipment	1,346,824	776,582	570,243	714,095	632,729
Construction in progress	6,037	37	6,000	0	6,037
	1,892,899	1,316,657	576,243	1,254,133	638,766
Accumulated depreciation	(1,168,714)	(1,165,317)	(3,397)	(1,132,541)	(36,174)
Property and equipment, net	724,185	151,340	572,846	121,593	602,592
Intangible assets:					
Goodwill, net	2,786,643	2,786,643	0	2,786,643	0
Other intangibles	809	835	(26)	407	403
Intangible assets, net	2,787,452	2,787,478	(26)	2,787,050	403
Total assets	3,728,375	3,109,543	618,832	3,092,669	635,706
LIABILITIES AND EQUITY					
Current liabilities:					
Accounts payable	615,027	21,592	593,435	7,237	607,790
Current income taxes payable	40,256	42,255	(1,999)	40,357	(101)
Accrued salaries and benefits	21,850	17,963	3,887	14,118	7,732
Other accrued liabilities	0	656	(656)	0	0
Intercompany payable (receivable)	23,608	10,640	12,968	13,158	10,451
	700,741	93,106	607,635	74,870	625,871
Long-term debt	79,264	82,878	(3,614)	72,888	6,376
Other long-term liabilities	5,324	5,055	269	798	4,526
Equity:					
GP capital account	1,500,953	1,493,537	7,416	1,501,498	(545)
LP capital account	1,442,092	1,434,967	7,125	1,442,616	(523)
Total equity	2,943,046	2,928,504	14,541	2,944,114	(1,068)
Total liabilities and equity	3,728,375	3,109,543	618,832	3,092,669	635,706

AMSURG

ANNUAL REPORT 2014

Ambulatory Services Operations

The following table presents the number of procedures performed at our continuing centers and changes in the number of ASCs in operation, under development and under letter of intent for the years ended December 31, 2014, 2013 and 2012. An ASC is deemed to be under development when a LP or LLC has been formed with the physician partners to develop the ASC.

	2014	2013	2012
Procedures	1,645,350	1,609,761	1,478,888
Centers in operation, end of period (consolidated)	237	233	229
Centers in operation, end of period (unconsolidated)	9	3	2
Average number of continuing centers in operation, during period	233	230	216
New centers added, during period	10	6	18
Centers discontinued, during period	6	3	4
Centers under development, end of period	2	—	—
Centers under letter of intent, end of period	5	5	2

Of the continuing centers in operation at December 31, 2014, 150 centers performed gastrointestinal endoscopy procedures, 51 centers performed procedures in multiple specialties, 37 centers performed ophthalmology procedures and 8 centers performed orthopaedic procedures.

A significant measurement of how much our ambulatory services revenues grow from year to year for existing centers is our ambulatory services same-center revenue percentage. We define our same-center group each year as those centers that contain full year-to-date operations in both comparable reporting periods, including the expansion of the number of operating centers associated with a LP or LLC. Ambulatory services revenues at our 2014 same-center group, comprising 224 centers and constituting approximately 91% of our total number of consolidated centers, increased by 0.7% during the year ended December 31, 2014 compared to the prior period.

The following table presents selected statement of earnings data expressed in dollars (in thousands) and as a percentage of net revenue for our ambulatory services segment.

	For the Year Ended December 31,					
	2014		2013		2012	
Net revenue	$ 1,109,935	100.0%	$ 1,057,196	100.0%	$ 899,245	100.0%
Operating expenses:						
Salaries and benefits	341,906	30.8	327,585	31.0	284,528	31.6
Supply cost	163,004	14.7	153,126	14.5	126,919	14.1
Other operating expenses	230,307	20.7	216,501	20.5	185,866	20.7
Transaction costs	29,004	2.6	300	—	700	0.1
Depreciation and amortization	34,667	3.1	32,400	3.1	29,255	3.3
Total operating expenses	798,888	72.0	729,912	69.0	627,268	69.8
Gain on deconsolidation	3,411	0.3	2,237	0.2	—	—
Equity in earnings of unconsolidated affiliates	3,199	0.3	3,151	0.3	1,564	0.2
Operating income	$ 317,657	28.6%	$ 332,672	31.5%	$ 273,541	30.4%

Financial Statements and Supplementary Data - (continued)

AmSurg Corp.
Consolidated Balance Sheets
(In thousands)

	December 31, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 208,079	$ 50,840
Restricted cash and marketable securities	10,219	—
Accounts receivable, net of allowance of $113,357 and $27,862, respectively	233,053	105,072
Supplies inventory	19,974	18,414
Prepaid and other current assets	115,362	36,699
Total current assets	586,687	211,025
Property and equipment, net	180,448	163,690
Investments in unconsolidated affiliates	75,475	15,526
Goodwill	3,381,149	1,758,970
Intangible assets, net	1,273,879	27,867
Other assets	25,886	866
Total assets	$ 5,523,524	$ 2,177,944
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$ 18,826	$ 20,844
Accounts payable	29,585	27,501
Accrued salaries and benefits	140,044	32,294
Accrued interest	29,644	1,885
Other accrued liabilities	67,986	7,346
Total current liabilities	286,085	89,870
Long-term debt	2,232,186	583,298
Deferred income taxes	633,480	176,020
Other long-term liabilities	89,443	25,503
Commitments and contingencies		
Noncontrolling interests – redeemable	184,099	177,697
Equity:		
Mandatory convertible preferred stock, no par value, 5,000 shares authorized, 1,725 and 0 shares issued and outstanding, respectively	166,632	—
Common stock, no par value, 70,000 shares authorized, 48,113 and 32,353 shares outstanding, respectively	885,393	185,873
Retained earnings	627,522	578,324
Total AmSurg Corp. equity	1,679,547	764,197
Noncontrolling interests – non-redeemable	418,684	361,359
Total equity	2,098,231	1,125,556
Total liabilities and equity	$ 5,523,524	$ 2,177,944

See accompanying notes to the consolidated financial statements.

Financial Statements and Supplementary Data - (continued)

AmSurg Corp.
Consolidated Statements of Earnings
(In thousands, except earnings per share)

	Year Ended December 31,		
	2014	2013	2012
Revenues	$ 1,738,950	$ 1,057,196	$ 899,245
Provision for uncollectibles	(117,001)	—	—
Net revenues	1,621,949	1,057,196	899,245
Operating expenses:			
Salaries and benefits	694,576	327,585	284,528
Supply cost	164,296	153,126	126,919
Other operating expenses	284,928	216,501	185,866
Transaction costs	33,890	300	700
Depreciation and amortization	60,344	32,400	29,255
Total operating expenses	1,238,034	729,912	627,268
Gain on deconsolidation	3,411	2,237	—
Equity in earnings of unconsolidated affiliates	7,038	3,151	1,564
Operating income	394,364	332,672	273,541
Interest expense, net	83,285	29,525	16,950
Debt extinguishment costs	16,887	—	—
Earnings from continuing operations before income taxes	294,192	303,147	256,591
Income tax expense	48,103	48,654	40,893
Net earnings from continuing operations	246,089	254,493	215,698
Net earnings (loss) from discontinued operations	(1,296)	7,051	7,945
Net earnings	244,793	261,544	223,643
Less net earnings attributable to noncontrolling interests	191,092	188,841	161,080
Net earnings attributable to AmSurg Corp. shareholders	53,701	72,703	62,563
Preferred stock dividends	(4,503)	—	—
Net earnings attributable to AmSurg Corp. common shareholders	$ 49,198	$ 72,703	$ 62,563
Amounts attributable to AmSurg Corp. common shareholders:			
Earnings from continuing operations, net of income tax	$ 50,777	$ 71,009	$ 60,037
Earnings (loss) from discontinued operations, net of income tax	(1,579)	1,694	2,526
Net earnings attributable to AmSurg Corp. common shareholders	$ 49,198	$ 72,703	$ 62,563
Basic earnings per share attributable to AmSurg Corp. common shareholders:			
Net earnings from continuing operations	$ 1.29	$ 2.27	$ 1.95
Net earnings (loss) from discontinued operations	(0.04)	0.05	0.08
Net earnings	$ 1.25	$ 2.32	$ 2.03
Diluted earnings per share attributable to AmSurg Corp. common shareholders:			
Net earnings from continuing operations	$ 1.28	$ 2.22	$ 1.90
Net earnings (loss) from discontinued operations	(0.04)	0.05	0.08
Net earnings	$ 1.24	$ 2.28	$ 1.98
Weighted average number of shares and share equivalents outstanding:			
Basic	39,311	31,338	30,773
Diluted	39,625	31,954	31,608

See accompanying notes to the consolidated financial statements.

Financial Statements and Supplementary Data - (continued)

AmSurg Corp.
Consolidated Statements of Changes in Equity
(In thousands)

	AmSurg Corp. Shareholders							Noncontrolling Interests – Redeemable (Temporary Equity)
	Common Stock		Mandatory Convertible Preferred Stock		Retained Earnings	Noncontrolling Interests – Non-Redeemable	Total Equity (Permanent)	
	Shares	Amount	Shares	Amount				
Balance at January 1, 2012	31,284	$ 173,187	—	$ —	$ 443,058	$ 132,222	$ 748,467	$ 170,636
Net earnings	—	—	—	—	62,563	26,303	88,866	134,777
Issuance of restricted stock	281	—	—	—	—	—	—	—
Cancellation of restricted stock	(2)	—	—	—	—	—	—	—
Stock options exercised	842	18,214	—	—	—	—	18,214	—
Stock repurchased	(464)	(13,101)	—	—	—	—	(13,101)	—
Share-based compensation	—	6,692	—	—	—	—	6,692	—
Tax benefit related to exercise of stock	—	1,834	—	—	—	—	1,834	—
Distributions to noncontrolling interests, net of capital contributions	—	—	—	—	—	(26,514)	(26,514)	(136,356)
Acquisitions and other transactions impacting noncontrolling interests	—	252	—	—	—	174,615	174,867	6,957
Disposals and other transactions impacting noncontrolling interests	—	(3,211)	—	—	—	4,352	1,141	(632)
Balance at December 31, 2012	31,941	$ 183,867	—	$ —	$ 505,621	$ 310,978	$ 1,000,466	$ 175,382
Net earnings	—	—	—	—	72,703	49,789	122,492	139,052
Issuance of restricted stock	292	—	—	—	—	—	—	—
Cancellation of restricted stock	(16)	—	—	—	—	—	—	—
Stock options exercised	1,393	33,349	—	—	—	—	33,349	—
Stock repurchased	(1,257)	(45,964)	—	—	—	—	(45,964)	—
Share-based compensation	—	8,321	—	—	—	—	8,321	—
Tax benefit related to exercise of stock	—	7,247	—	—	—	—	7,247	—
Distributions to noncontrolling interests, net of capital contributions	—	—	—	—	—	(49,533)	(49,533)	(134,298)
Acquisitions and other transactions impacting noncontrolling interests	—	679	—	—	—	48,115	48,794	(319)
Disposals and other transactions impacting noncontrolling interests	—	(1,626)	—	—	—	2,010	384	(2,120)
Balance at December 31, 2013	32,353	$ 185,873	—	$ —	$ 578,324	$ 361,359	$ 1,125,556	$ 177,697
Net earnings	—	—	—	—	53,701	56,048	109,749	135,044
Issuance of stock	15,490	693,289	1,725	166,632	—	—	859,921	—
Issuance of restricted stock	272	—	—	—	—	—	—	—
Cancellation of restricted stock	(12)	—	—	—	—	—	—	—
Stock options exercised	111	2,630	—	—	—	—	2,630	—
Stock repurchased	(101)	(4,615)	—	—	—	—	(4,615)	—
Share-based compensation	—	10,104	—	—	—	—	10,104	—
Tax benefit related to exercise of stock	—	3,177	—	—	—	—	3,177	—
Dividends paid on preferred stock	—	—	—	—	(4,503)	—	(4,503)	—
Distributions to noncontrolling interests, net of capital contributions	—	—	—	—	—	(56,439)	(56,439)	(133,594)
Acquisitions and other transactions impacting noncontrolling interests	—	744	—	—	—	54,725	55,469	6,482
Disposals and other transactions impacting noncontrolling interests	—	(5,809)	—	—	—	2,991	(2,818)	(1,530)
Balance at December 31, 2014	48,113	$ 885,393	1,725	$ 166,632	$ 627,522	$ 418,684	$ 2,098,231	$ 184,099

See accompanying notes to the consolidated financial statements.

C, Orderly Development--7(C)
Licensing & Accreditation Inspections

Board for Licensing Health Care Facilities

State of Tennessee

License No. 0000000098

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

THE CHATTANOOGA ENDOSCOPY ASC, LLC *to conduct and maintain*

an Ambulatory Surgical Treatment Center DIGESTIVE DISORDERS ENDOSCOPY CENTER

Located at 2341 MCCALLIE AVENUE, PARKRIDGE PLAZA III, STE. 303, CHATTANOOGA

County of HAMILTON *, Tennessee.*

This license shall expire JUNE 18 *,* 2016 *, and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State this 26TH *day of* MAY *,* 2015

In the Specialty(ies) of: GASTROENTEROLOGY

By Vincent T. Davis, MPH

DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By [signature]

COMMISSIONER

146

Board for Licensing Health Care Facilities

State of Tennessee

License No. 0000000098

DEPARTMENT OF HEALTH

This is to certify, that a license is hereby granted by the State Department of Health to

THE CHATTANOOGA ENDOSCOPY ASC, LLC *to conduct and maintain*

an Ambulatory Surgical Treatment Center DIGESTIVE DISORDERS ENDOSCOPY CENTER

Located at 2341 MCCALLIE AVENUE, PARKRIDGE PLAZA III, STE. 303 , CHATTANOOGA

County of HAMILTON , *Tennessee.*

This license shall expire JUNE 18 , 2015 , *and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.*

In Witness Whereof, we have hereunto set our hand and seal of the State this 18TH *day of* JUNE , 2014 .

In the Specialty(ies) of: GASTROENTEROLOGY

By Vincent J. Davis, MPH

DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By

COMMISSIONER

147

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
7175 STRAWBERRY PLAINS PIKE, SUITE 103
KNOXVILLE, TN 37914

June 5, 2014

Ms. Kristi Ballard, R.N., Administrator
Digestive Disorders Endoscopy Center
2341 McCallie Avenue, Plaza 3, Suite 303
Chattanooga, TN 37404

Dear Ms. Ballard:

Enclosed is the Statement of Deficiencies developed as the result of the survey conducted at Digestive Disorders Endoscopy Center on May 27 - 29, 2014.

In accordance with CFR Title 42 §488.28(b), you are requested to submit a Plan of Correction within ten (10) calendar days after receipt of this letter with acceptable time frames for correction of the cited deficiencies. Corrective action should be achieved no later than **July 13, 2014**, the 45th day from the date of the survey. Please notify this office when these deficiencies are corrected. A revisit may be conducted to verify compliance. Once corrective action is confirmed, a favorable recommendation for recertification will be considered.

Your POC must contain the following:

- What corrective action(s) will be accomplished for those patients found to have been affected by the deficient practice;
- How you will identify other patients having the potential to be affected by the same deficiency practice and what corrective action will be taken;
- What measures will be put into place or what systemic changes you will make to ensure that the deficient practice does not recur; and,
- How the corrective action(s) will be monitored to ensure the deficient practice will not recur; i.e., what quality assurance program will be put into place.

Please remember the administrator's signature and date signed must be on the appropriate line at the bottom of form CMS 2567 Statement of Deficiencies/Plan of Correction. Please be advised that under the disclosure of survey information provisions, the Statement of Deficiencies will be available to the public.

Should you have any questions or if there is any way this office may be of assistance, please do not hesitate to call.

Sincerely,

Karen B. Kirby, R.N.
Regional Administrator
East TN Health Care Facilities

KBK:cvb

Enclosure

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

150

FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	44C0001076	A. BUILDING _____ B. WING _____	05/29/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
DIGESTIVE DISORDERS ENDOSCOPY	2341 MCCALLIE AVE, SUITE 303 CHATTANOOGA, TN 37404

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
Q 241	416.51(a) SANITARY ENVIRONMENT The ASC must provide a functional and sanitary environment for the provision of surgical services by adhering to professionally acceptable standards of practice. This STANDARD is not met as evidenced by: Based on observation, facility policy review, and interview, the facility failed to follow infection control techniques during glucose monitoring for one patient (#21) of one patient observed. The findings included: Observation on May 28, 2014, at 12:00 p.m., at the nurses' station, revealed Registered Nurse (RN) #1 obtained a glucometer (device used to monitor blood sugar) from a drawer at the nurses' station, entered patient #21's room, stuck the patient's finger with a lancet (a pricking needle), obtained a drop of blood from patient #21's finger, placed the blood on a glucose strip, inserted the glucose strip in the glucometer, and after obtaining the blood sugar result RN #1exited patient #21's room, and without cleaning the glucometer RN #1 placed the glucometer back in the drawer at the nurses' station. Review of facility policy, Blood Glucose Monitors Competency in Use-Quality Control-Cleaning, last reviewed on August 10, 2012, revealed "...cleaning with the appropriate disinfectant is performed following each use..."	Q 241	416.51 (a) SANITARY ENVIRONMENT PLAN OF CORRECTION; The Center will provide a functional and sanitary environment for the provision of surgical services by adhering to professionally acceptable standards of practice. SYSTEMIC CHANGES: All staff have been advised cleaning of the patient care equipment including the glucometer shall be based on following manufacturer's and FDA recommendations. Patient care equipment cleaning processes were reviewed with staff. (Attachment A) MONITORING AND RESPONSIBILITY: The Center Director is responsible for adherence to the Infection Control Program including cleaning of patient care equipment and the prevention of cross contamination. Monitoring of the cleaning of patient care equipment will be based on observation, interviews with staff, and surveillance of cleaning practice. Each variance will be addressed with the individual at the time of occurrence and tracked in a blinded report for trending. Trended behavior will be addressed individually for causes. If needed, additional training will occur. Results of cleaning the glucometer monitoring will be reported to the QAPI Committee with results and recommendations submitted to the Governing Body for review and reporting.	6/16/2014
	Interview with RN #1 on May 28, 2014, at 12:08 p.m., at the nurses' station, confirmed RN #1 did not clean the glucometer after use and the facility policy was not followed.			

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

151

FORM APPROVED
OMB NO. 0938-0391

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	44C0001076	A. BUILDING _____ B. WING _____	05/29/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
DIGESTIVE DISORDERS ENDOSCOPY	2341 MCCALLIE AVE, SUITE 303 CHATTANOOGA, TN 37404

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE

Division of Health Care Facilities

FORM APPROVED

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP53598	A. BUILDING: _____ B. WING _____	05/29/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
DIGESTIVE DISORDERS ENDOSCOPY	2341 MCCALLIE AVE, SUITE 303 CHATTANOOGA, TN 37404

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
A 607	1200-8-10-.06 (1)(g) Basic Services (1) Surgical Services. (g) Qualified registered nurses may perform circulating duties in the operating room. In accordance with applicable State laws and approved medical staff policies and procedures, LPNs and surgical technologists may assist in circulatory duties under the supervision of a qualified registered nurse who is immediately available to respond to emergencies. This Rule is not met as evidenced by: Based on observation and interview, the facility failed to provide an operating room circulator (circulating nurse) in two of two procedure rooms. The findings included: Observations on May 27-29, 2014, revealed the surgery center had two procedure rooms in use for Endoscopy (examination of gastrointestinal tract) procedures. Continued observation revealed facility staff present in each of the procedure rooms included a Physician, a Certified Registered Nurse Anesthetist (CRNA), and an Endoscopy Technician, who was assisting the Physician with the procedure. Further observation revealed the Surgical Technicians were not directly supervised by a Registered Nurse. Interview on May 29, 2014, at 11:30 a.m., in the conference room, with the facility Administrator, revealed "...I am the back up if there are any issues, they can call me...also can use the pre-op or post-op nurse...can call any of us..." Continued interview confirmed the Endoscopy Technicians were not directly supervised by a Registered Nurse and there was not a circulating nurse in the	A 607	1200-8-10-06 (1)(g) BASIC SERVICES Qualified registered nurses may perform circulating duties in the operating room. In accordance with applicable State laws and approved medical staff policies and procedures, LPNs and surgical technologists may assist in circulatory duties under the supervision of a qualified registered nurse who is immediately available to respond to emergencies. PLAN OF CORRECTION: Care provided to each patient at the Center will be appropriate based on patient assessment, State and federal regulations, and ASGE (American Society of Gastrointestinal Endoscopy) organization guidelines. The staffing patterns are based on the needs of the Center. The Center will develop a staffing ratio that provides the skill level necessary to promote optimum patient outcomes and efficient patient flow. The staffing plan will integrate the registered nurse in the supervisory role who will be immediately available and accommodate for skill diversity in the assistive role. The organization will provide additional RN resources when necessary. SYSTEMIC CHANGES: All staffing rules and guidelines for endoscopy have been reviewed by the Center Director and the leadership team. Constant adherence will be an ongoing expectation. The Center will recruit and train additional registered nurses to function in the supervisory role. RESPONSIBLE PARTY AND MONITORING: The Center Director will review all assignments daily for compliance. Issues of noncompliance will be reviewed with all parties involved. If 100% of the reviews demonstrate compliance, the review will become random. The results of these reviews will be tabulated and presented to the QAPI committee on a quarterly basis for review and recommendations. Recommendations will be presented to the Governing Body quarterly for review and approval.	6/20/2014

Division of Health Care Facilities

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	44C0001076	A. BUILDING 01 - 1 B. WING	05/28/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
DIGESTIVE DISORDERS ENDOSCOPY	2341 MCCALLIE AVE, SUITE 303 CHATTANOOGA, TN 37404

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
K 130	NFPA 101 MISCELLANEOUS OTHER LSC DEFICIENCY NOT ON 2786 This STANDARD is not met as evidenced by: Based on observations and record review on 5/28/14, it was determined the facility failed to comply with the applicable codes. The findings included: 1. Records review on 5/29/14 at 11:00 AM revealed the facility failed to conduct the five year sprinkler guage inspection/ re-calibration/ replacement. The last time it was conducted was in 2006. National Fire Protection Association (NFPA) 25 Inspection, Testing, and Maintenance of Water-Based Fire Protection Systems Table 5.1 2. Observation in the exit hallway by the offices on 5/28/14 at 11:13 AM revealed a smoke detector within three feet of an air supply. NFPA 72 National Fire Alarm Code 5.7.4.1 These findings were acknowledged by the facility during the exit conference on 5/28/14.	K 130	416.44(b)(1)LIFE SAFETY CODE STANDARD PLAN OF CORRECTION: The facility will inspect, test and maintain the automatic sprinkler system in accordance with NFPA 25. The sprinkler gauge inspection/re-calibration/ replacement will be maintained every five years. SYSTEMIC CHANGES: 1) The Center Director has contracted with a Sprinkler Inspection company who will conduct the five year inspection/re-calibration/ replacement. The inspection will be completed now and in five years. The records are now in the Center. 2) The smoke detector has been moved an additional three feet from the air supply. (Attachment B) RESPONSIBLE PARTY & MONITORING: It is the responsibility of the Center Director to ensure the facility is in compliance with the Life Safety Code Standards. The Center Director or designee will ensure that the Sprinkler System is inspected as required. The Center Director will report the results to the QAPI Committee for review and recommendation. Recommendations will be submitted to the Governing Body for review and approval.	7/13/2014

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

Division of Health Care Facilities

154

FORM APPROVED

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP53598	A. BUILDING: 01 - 1 B. WING _____	05/28/2014

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
DIGESTIVE DISORDERS ENDOSCOPY	2341 MCCALLIE AVE, SUITE 303 CHATTANOOGA, TN 37404

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
A 002	1200-8-10 No Deficiencies Based on observations, testing, and records review on 5/28/14, it was determined the facility was in compliance with the Life Safety Code requirements of the Tennessee Department of Health, Board of Licensing Health Care Facilities and Chapter 1200-08-10 Standards For Ambulatory Surgery Centers.	A 002		

ACCREDITATION ASSOCIATION
for AMBULATORY HEALTH CARE, INC.

March 11, 2015

Organization #: 83973
Organization: **The Chattanooga Endoscopy ASC, LLC dba Digestive Disorder Endoscopy Center**
Address: **2341 Mccallie Ave, Parkridge Plaza Iii**
City, State, Zip: **Chattanooga, TN 37404-3239**

Decision Recipient: **Kristi Ballard, RN**
Survey Date: **February 10, 2015** **Type of Survey:** **Re-Accreditation**

Accreditation Term Begins: **March 13, 2015** **Accreditation Term Expires:** **March 12, 2018**

Accreditation Renewal Code: **9557d42183973**
Complimentary study participation code: **83973FREEIQI**

Granting accreditation reflects confidence, based on evidence from this recent survey that you meet, and will continue to demonstrate throughout the accreditation term, the attributes of an accreditable organization, as reflected in the standards found in the *Accreditation Handbook for Ambulatory Health Care*. The dedication and effort necessary for an organization to be accredited is substantial and the compliance with those standards implies a commitment to continual self-evaluation and continuous improvement.

We hope the survey has been beneficial to your organization in identifying its strengths and opportunities to improve. AAAHC trusts that you will continue to find the accreditation experience meaningful, not only from the benefit of having carefully reviewed your own operation, but also from the recognition brought by your participation in this survey process.

Members of your organization should take time to review your Survey Report, which may arrive separately:

- Any standard marked "PC" (Partially Compliant) or "NC" (Non-Compliant) must be corrected promptly. Subsequent surveys by the AAAHC will seek evidence that deficiencies from this survey were addressed without delay.
- The Summary Table provides an overview of compliance for each chapter applicable to the organization.
- Statements in the "Consultative Comments" sections of the report represent the educational component of the survey. Such comments may provide helpful guidance for improvement.
- As a guide to the ongoing process of self-evaluation, periodic review of the Survey Report and the current year's *Handbook* will ensure the organization's ongoing compliance with the standards throughout the term of accreditation.

AAAHC policies and procedures and standards are revised on an annual basis, such revisions become effective March 1 each year. Accredited organizations are required to maintain their operations in compliance with the current AAAHC standards and policies. Therefore, the organization is encouraged to visit the AAAHC website, www.aaahc.org, for information pertaining to any revisions to AAAHC policies and procedures and standards.

In order to ensure continuation of accreditation, your organization should submit an application for survey approximately five months prior to your accreditation expiration. According to our *Accreditation Handbook*,

Currently-accredited organizations must complete and submit the Application for Survey, supporting documentation, and application fee for their subsequent full accreditation survey (referred to as a re-accreditation survey). Please visit www.aaahc.org to complete the Application for Survey and for further information. After review of an organization's completed Application for Survey and supporting documentation, the AAAHC will contact the organization to establish survey dates. To prevent a lapse in accreditation, an organization should ensure that all documentation is submitted to the AAAHC at least five (5) months prior to its accreditation expiration date. In states where accreditation is mandated by law, an organization should submit the completed Application for Survey and other required documentation a minimum of six (6) months prior to its accreditation expiration date.

Organization #: **83973** **Accreditation Expires: March 12, 2018**
Organization: **The Chattanooga Endoscopy ASC, LLC dba Digestive Disorder Endoscopy Center**
March 11, 2015
Page 2

For submission of an application for survey, your organization will need the "*accreditation renewal code*" located underneath the accreditation expiration date.

You will notice that you have a "*complimentary study participation code*" at the top of this letter. You may use this to register for one of the AAAHC Institute for Quality Improvement's studies. Please visit www.aaahc.org/institute for additional information or contact Michelle Chappell, at 847-324-7747 or mchappell@aaahc.org.

If you have any questions or comments about any portion of the accreditation process, please contact the AAAHC Accreditation Services department at (847) 853-6060.

SUPPLEMENTAL
#1

DSG Development Support Group

SUPPLEMENTAL #1
June 22, 2015
12:58 pm

June 22, 2015

Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

RE: CON Application CN1506-024
Chattanooga Endoscopy Center

Dear Mr. Grimm:

This letter responds to your recent request for additional information on this application. The items below are numbered to correspond to your questions. They are provided in triplicate, with affidavit.

1. **Section A, Applicant Profile, Item 3**
   Given the significant increase in new physicians in the past year, does the applicant intend to expand the ownership of the LLC in the future? If so, how might the ownership interests change to accommodate the increased participation in ownership of the LLC?

   At present, only one additional physician has expressed interest in becoming an owner but not for at least a year. The CEC has no plans to add physicians in the foreseeable future other than that person. If a new owner is approved by the Board, all existing owners will then dilute their percentages of membership to accommodate the new member, with all members at the same percentage of membership interest.

2. **Section A, Applicant Profile, Item 5**
   The February 2015 amendment to the original management services agreement effective February 1, 2001 is noted. Was there a change in the management of the ASTC prior to that time from its original licensure by TDH in July 1998? Please provide a brief discussion of AmSurg's historical relationship with the applicant ASTC.

The facility (then Digestive Disorders Endoscopy Center) was founded and opened in August of 1998 by Richard Krause, MD (who is still today a member of the medical staff). AMSURG purchased a 51% stake in the company in July of 1999. The facility and AMSURG entered into a management services agreement for provision of certain services in February of 2001 to coincide with an amendment to the partnership's Operating Agreement. This management services agreement was renewed in 2002 and was amended in 2004 (to reflect a negotiated upon adjustment in compensation for services rendered from 4% of Net Revenues/$90,000 cap to a flat annual fee in the amount of $48,000 paid in equal monthly installments). In 2015, the former partner members (AMSURG = 51%; Henry Paik, MD = 24.5%; Richard Sadowitz, MD = 24.5%) agreed to dilute their ownership interests to allow for the entrance of the new physician partners named in this project. Upon diluting from 51% to 35%, the management services agreement between AMSURG and the facility was re-negotiated and agreed upon by all parties in February of 2015 to reflect services rendered at a fair market fee of 3% of Net Revenues.

3. Section B, Project Description, Item 1.
Please provide the following additional information for the highlights noted in the executive summary:

3a. Confirming original CON approved in 9608-060A with any limitations as to specialty or procedure rooms.

There were no limitations. Attached following this page are copies of the original CON document and supporting pages from the application and HSDA. But research in the original records of the facility (built by another owner) show that it opened with three rooms finished out (construction complete) but only two rooms equipped. They remained in that status until this year, when AmSurg equipped and opened its third authorized room.

3b. Addition of 3rd procedure room in early 2015 – please confirm that the addition was below the $2 million CON threshold for construction projects that apply to this type facility.

See response 3a, which may make this question moot. The project to open the third procedure room and build expanded support spaces cost $1,125,000--$375,000 of construction and $750,000 of new and replacement equipment. The project equipped the third room and replaced outdated equipment in the two operational rooms. Expanded areas included the waiting room, the pre- and post-operative stations, and several support areas.

SUPPLEMENTAL #1
June 22, 2015
12:58 pm

160

STATE OF TENNESSEE
HEALTH FACILITIES COMMISSION

Certificate of Need CN9608-060A is hereby granted under the provisions of T.C.A. §68-11-101, *et seq.*, and the rules and regulations issued thereunder by this Commission

to The Center for Digestive Disorders and Clinical Research, P.C.
2341 McCallie Avenue, Suite 303
Chattanooga, TN 37404

for The Center for Digestive Disorders and Clinical Research, P.C.
* * d/b/a Digestive Disorders Endoscopy Center

This Certificate is issued for the construction and operation of an outpatient surgery center for the provision of endoscopic procedures

on the premises located at 2341 McCallie Avenue, Suite 303
Chattanooga, TN 37404

for an estimated project cost of $800,000.00

The Expiration Date for this Certificate of Need is

January 1, 1999

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the effective date, this Certificate of Need is null and void.

* * Pursuant to T.C.A. §68-11-106(a) and Commission Rule 0720- 3-.06(8)(a)(3) [illegible] date of an [illegible] Certificate of Need

Date Approved November 14, 1996

Date Issued December 16, 1996

Date Reissued * April 4, 1997

* To Reflect clerical change pursuant to Commission Rule 0720-3-.06(8)

Date Approved ** April 22, 1998

Chairman

Secretary

Chairman

Secretary

HF-0022 (Rev. 5-93)

HEALTH FACILITIES COMMISSION MEETING
NOVEMBER 14, 1996
APPLICATION SUMMARY

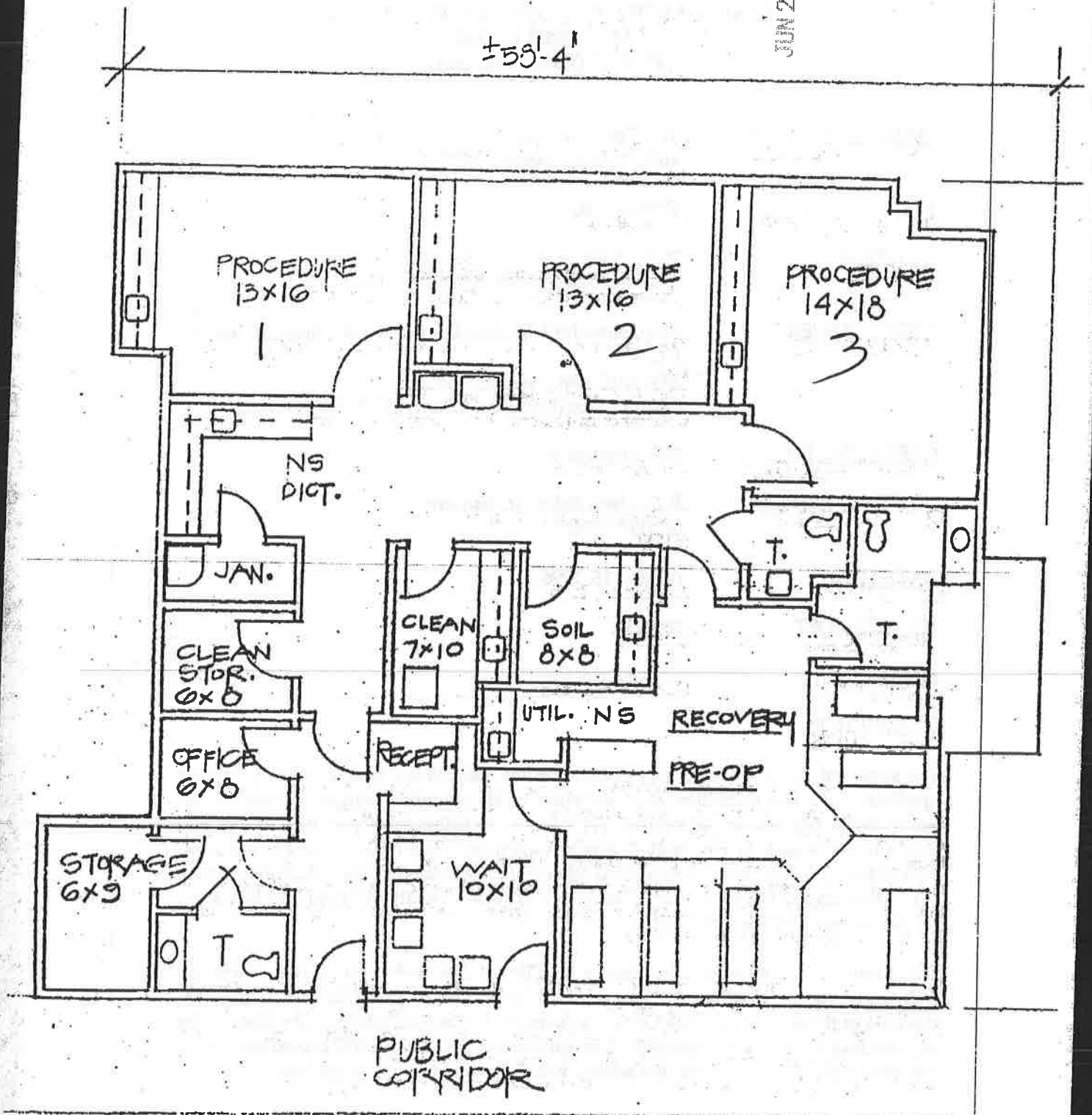
NAME OF PROJECT:	The Center for Digestive Disorders and Clinical Research, PC
PROJECT NUMBER:	CN9608-060
ADDRESS:	2341 McCallie Avenue, Suite 201 Chattanooga (Hamilton County), TN 37404
LEGAL OWNER:	The Center for Digestive Disorders and Clinical Research, P.C. 2341 McCallie Avenue, Suite 201 Chattanooga (Hamilton County), TN 37404
OPERATING ENTITY:	Not Applicable
CONTACT PERSON:	E. Graham Baker, Jr., Esquire (615)377-7740
DATE FILED:	August 15, 1996
PROJECT COST:	$800,000
FINANCING:	Commercial loan

DESCRIPTION:

The applicant, The Center for Digestive Disorders and Clinical Research, PC, is seeking approval for the construction and operation of an outpatient surgery center for the provision of endoscopic procedures. The facility is being developed by Calisher and Lazerine Associates of Huntington Beach, California. The facility will contain 2,500 square feet of leased space in a medical office building located at 2341 McCallie Avenue in Chattanooga, Hamilton County, Tennessee. The new facility will apply for Medicare, Medicaid, and TennCare certification.

The Center for Digestive Disorders and Clinical Research will contain three (3) endoscopy rooms plus related space. Line drawings of the proposed facility are attached to this summary. The Center is currently located at Parkridge Medical Center and has four (4) physicians on staff. The applicant is projecting 2,632 procedures in the first year and 2,710 procedures the second year following project completion.

The total estimated project cost is $800,000. The cost includes $125,000 fair market value of the leased space. The project will be financed with a commercial loan from First



3c. Given the relatively low patient origin from both Bradley and Marion Counties – whether new expanded physician staff is bringing patients from these areas.

They will. Following is a comparison table. It shows the CEC's Badley and Marion County patient origin in FYE 2014 (from its JAR); and it compares it to the patient origin from those counties projected in the application's Table Seven, page 35. The projected data in the application was aggregated from individual practices' patient origin, to give a complete picture of future patient origin.

Patient Origin from Bradley and Marion Counties, 2014 and 2018				
	CEC, FYE2014 JAR		CEC, Projected CY2018	
	Patients	Percent	Patients	Percent
Bradley Co.	86	3.7%	583	5.1%
Marion Co.	74	3.2%	401	3.5%
Total, 2 Cos.	***160***	***6.9%***	***984***	***8.6%***

Source: CON application Table Seven; CEC 2014 Joint Annual Report

3d. General overview of "special needs" of service area drawing from page 38 with specific reference to the incidence of colon cancer in the primary service area.

The Center of Disease Controls website shows that colorectal cancer incidence in Tennessee is 40.1 to 42.6 persons per 100,000 population, in the third highest national quartile. However, Tennessee is one of twelve States in the highest quartile for deaths from that disease, at 16.5 to 19.9 persons per 100,000 population. This is linked to the fact that only 59.3% to 63.5% of Tennessee adults age 50-75 years are "up to date", i.e., compliant with, recommended periodic colon cancer screening guidelines. Screening endoscopies are essential to identify and surgically remove pre-cancerous polyps and early-stage colon cancers.

Potential Colon Cancer Patients, Primary Service Area			
PSA County	Rate/100,000	2015 Population	Predicted 2015 Cases
Hamilton	40.1 to 42.6	349,273	140-149
Bradley	40.1 to 42.6	104,364	42-45
Marion	40.1 to 42.6	28,652	12-12
Walker	40.1 to 42.6	67,823	27-29
Catoosa	40.1 to 42.6	66,202	26-28
PSA Total	40.1 to 42.6	*616,314*	*247-263*

Source: CDC; TDH

3e. It appears that the expanded medical staff has a large patient base with over 31,000 total patient visits in 2014 (page 34). Of the 15 medical staff members, please briefly describe where they practice in the service area by noting location of private practices and hospital admitting privileges.

Attached after this page is a table showing where all of the 15 staff members have office practices and have surgical privileges. Bold (X) indicates where they performed significant numbers of endoscopies in 2014. Only one has privileges outside of Hamilton County.

While physicians in the Galen Group do have privileges at Erlanger's Plaza surgery center, the Group tells CEC that their annual utilization of the Plaza facility is only a few patients every two to three months, who have insurance coverage only at an Erlanger facility.

3f. Other than endoscopies, what other related types of procedures do the gastroenterologists perform at the facility? If possible, please list by CPT code.

They do, and will, perform only endoscopies at CEC. A list of procedures approved for the CEC is attached following this page.

3g. The applicant notes other physicians without ownership interests in the LLC perform endoscopies at the facility. As such, is the facility open to use by others who are not members of the LLC that might apply for privileges at the facility?

It is an open medical staff. As stated on page 11 of the application, there are now three physicians on staff who are not owners (identified in 3e above). Only one more has been identified as a potential owner in the future. The surgical hours needed by the current 15-member staff are expected to leave very little surgical capacity for new physicians who might request privileges.

CEC Medical Staff--Locations of Surgical Privileges
(Bold X Indicates Primary Surgical Locations)

		Hamilton County Facilities											Bradley County Facilities			Marion County Facilities
Physician	Office Location(s)	Associates of Memorial/Mission OP Surgery	Chattanooga Endoscopy Center	Physicians Surgery Center of Chattanooga	Plaza Surgery Center	Erlanger Medical Center	Erlanger East Hospital	Erlanger North Hospital	Memorial Healthcare System	Memorial North Park	Parkridge Medical Center	Parkridge East Hospital	Surgery Center of Cleveland	Skyridge Medical Center	Skyridge Medical Center Westside	Parkridge West Hospital
1. Sumeet Bhushan, MD	***2200 East 3rd St Ste 200 Chattanooga, TN 37404** 1651 Gunbarrel Rd. Ste 102 Chattanooga, TN 37421 2051 Hamill Rd. Ste 204 Hixson, TN 37343		X		X				X	X						
2. Chad Charapata, MD	***2200 East 3rd St Ste 200 Chattanooga, TN 37404** 1651 Gunbarrel Rd. Ste 102 Chattanooga, TN 37421		X		X				X	X						
3. David N. Collins, MD	*725 Glenwood Drive Suite 690 Chattanooga, TN 37404		X						X							
4. Donald Hetzel, MD	***2515 deSales Avenue, Suite 206 Memorial Mission Surgery Center Building Chattanooga, TN 37404** 1651 Gunbarrel Rd. Ste 102 Chattanooga, TN 37421		X						X		X					
5. Scott Manton, MD	***2515 deSales Avenue, Suite 206 Memorial Mission Surgery Center Building Chattanooga, TN 37404** 1651 Gunbarrel Rd. Ste 102 Chattanooga, TN 37421		X						X		X					
6. Gregory Olds, MD	***2200 East 3rd St Ste 200 Chattanooga, TN 37404** 1651 Gunbarrel Rd. Ste 102 Chattanooga, TN 37421		X						X	X						
7. Henry Paik, MD	***2341 McCallie Ave. Plaza 3, Ste. 406 Chattanooga, TN 37404**		X						X		X	X				

CEC Medical Staff--Locations of Surgical Privileges
(Bold X Indicates Primary Surgical Locations)

		Hamilton County Facilities											Bradley County Facilities			Marion County Facilities
Physician	Office Location(s)	Associates of Memorial/Mission OP Surgery	Chattanooga Endoscopy Center	Physicians Surgery Center of Chattanooga	Plaza Surgery Center	Erlanger Medical Center	Erlanger East Hospital	Erlanger North Hospital	Memorial Healthcare System	Memorial North Park	Parkridge Medical Center	Parkridge East Hospital	Surgery Center of Cleveland	Skyridge Medical Center	Skyridge Medical Center Westside	Parkridge West Hospital
8. Vijay Patel, MD	***2815 deSales Avenue, Suite 206 Memorial Mission Surgery Center Building Chattanooga, TN 37404** 1651 Gunbarrel Rd. Ste 102 Chattanooga, TN 37421		**X**						**X**		X					
9.Richard Sadowitz, MD	***2341 McCallie Ave Plaza 3 Suite 403 Chattanooga, TN 37404**		**X**						X		**X**	X				
10. Colleen Schmitt, MD	***2200 East 3rd St Ste 200 Chattanooga, TN 37404** 1651 Gunbarrel Rd. Ste 102 Chattanooga, TN 37421		**X**		X				X	X						
11. Alan Shikoh, MD	***1651 Gunbarrel Rd, STE 102 Chattanooga TN 37421**		**X**						**X**		X					
12. Larry Shuster, MD	***1060 Peerless Crossing, STE 200 Chattanooga, TN 37312** 1651 Gunbarrel Rd. Ste 102 Chattanooga, TN 37421		X		X				**X**	**X**			**X**			
13. Munford Yates, MD	***2200 East 3rd St Ste 200 Chattanooga, TN 37404** 1651 Gunbarrel Rd. Ste 102 Chattanooga, TN 37421		**X**		X				**X**	**X**						
14. Camille Sommer, MD	***2341 McCallie Ave. Plaza 3, Ste. 406 Chattanooga, TN 37404**		**X**						**X**		X	**X**				
15. Richard Krause, MD	***6035 Shallowford Rd, STE 109 Chattanooga, TN 37421**		**X**								**X**					

Source: AmSurg management.

SUPPLEMENTAL #1

June 22, 2015
12:58 pm

Approved Procedure List

Chattanooga Endoscopy Center

Procedures approved to be performed at the center:
EGD—43235
EGD with Biopsy—43239
EGD with Polypectomy—43250/43251
EGD with Dilation—43248/43249/
EGD with Sclerotherapy--43243
EGD with Hemostasis Probe--43227
EGD with Bipolar Cautery--43216
EGD with Removal of Foreign body --43247
Dilation –43450/43453
Colonoscopy—45378/G0105/G0121
Colonoscopy with Polypectomy—45384/45385
Colonoscopy with Bipolar cautery—45380
Flexible Sigmoidoscopy—45330
Flexible Sigmoidoscopy with Biopsy—45331
Flexible Sigmoidoscopy with Polypectomy—45333/45338/45346
Hemorrhoidal injection with Hypertonic Saline Enteroscopy -- N/A
Conscious Sedation – N/A
Anoscopy – 46600-46615
Ligation of Hemorrhoids (Banding) – 46221
Peg tube removal—N/A
Monitored Anesthesia Care (MAC) –00740/00810
Minimal Sedation—N/A
Supervision of CRNA – N/A
Supervision of conscious sedation – N/A
Hemorrhoidal banding (CRH technique) -- 46221

SUPPLEMENTAL #1
June 22, 2015
12:58 pm

4. Section C, Need Item 1, Specific Criteria –ASTC and Construction/Renovation

4a. ASTC, Item 4 - the discussion of impact is noted. Given the comments on pages 25-27, the applicant states that an estimated 9,290 new cases will be brought by the physicians who have been performing cases at other facilities, with most or all at 1 ASTC and 1 hospital in Chattanooga, TN. It is understood that endoscopy utilization in the JAR for hospitals is not available. However, with respect to ASTCs, review of the JAR for Associates Memorial/ Mission revealed that endoscopies accounted for an average of approximately 50% of total procedures from 2012–2014 and total surgical cases declined by approximately 3.3% during the same period. Applying this information and the estimate of 9,290 new cases that will be brought the applicant's ASTC, is any additional insight available to help provide a better measure of the impact to the ASTC? Please briefly discuss.

This week, a CEC physician conferred with administration of the Memorial Mission ASTC, and was told that (a) no GI cases are being performed there now; (b) they expect to put the ASTC into inactive status by the end of June; and (c) it may be converted to an HOPD (hospital-based outpatient department). Based on that, it appears that all of the CEC medical staff have already taken their endoscopies to CEC and to other locations. Assuming that the reported plan of closure does occur, the relocation and expansion of CEC will not have any impact on the Memorial/Mission ASTC because the latter will cease to exist even before the CEC CON application enters the review process.

The applicant is unable to identify where most of the Memorial/Mission ASTC's endoscopies have gone. That is not public information. However, if a significant number have been relocated to any hospital, the cost to payers and/or patients will be significantly higher because Medicare and many insurers pay hospitals some 40% more for these same procedures. If in 2017 those cases being done in area hospitals do relocate to the CEC, that will have a positive impact on the costs of care for those patients.

4b. ASTC, Item 11 – Please provide an update on status of contract with the 4th MCO available in the service area. Does the MCO need more provider members for this type of facility?

AmSurg is in contract negotiation with Amerigroup for all its East Tennessee ASTC's, including the CEC. Credentialing has been submitted for all locations. Modifications to the Amerigroup template contract have been proposed by AmSurg. An Amerigroup manager has been assigned to negotiate the final contract. There is no estimated time frame for Amerigroup to reach a decision. The applicant has not been told that Amerigroup does not need more provider members for this type of facility.

4c. Construction/Renovation, Item 2.b. – Given the metrics provided, it appears that the projected 11,422 endocopy cases estimated by the applicant's physicians amounts to only 57% of the 20,000 or more outpatient cases they performed at all licensed facilities combined. At optimal capacity, it seems that the proposed new facility might require 10 procedure rooms should demand reach levels closer to 20,000 cases per year. Did the applicant consider building a larger facility with more procedure rooms than the 5 built out rooms requested in this CON proposal? Please discuss.

The new location does have adjacent space available for future expansion; and the facility has been designed so that would be possible and efficient to operate.

However, at this time the CEC has no reason to propose more future capacity than six rooms (five operational and one left unequipped for later completion). With six rooms, at 2,500 cases per room optimum scheduling from AmSurg's standpoint, the CEC could perform 15,000 cases. That should be sufficient to meet currently identifiable needs. A significant number of the medical staff's 20,000+ endoscopy cases will always need to remain in a hospital environment due to patient risk factors (age, complications, type of procedure, etc.).

5. Section C, Need Item 5 and 6 (Applicant's Historical and Projected Utilization)
5a. Review of the information and comparison to the JAR revealed some differences in the utilization amounts provided for the applicant. Using the table below, please explain the amounts that differ.

All the tables referenced in your chart are being revised to clarify or to correct those differences.

Following this page are your original table of difference, and then a table with corrections and footnoted explanations.

Following that page are the four revised pages pages 25R, 40R, 43R, and 55R, containing respectively Tables Five, Nine-A, Ten, and Twelve. They have been revised as described on the corrected table of differences.

A copy of the CEC's request to TDH to amend its 2014 JAR to reflect 2,332 patients rather than 2,173 patients is also attached, after the four revised application pages.

SUPPLEMENTAL #1

June 22, 2015
12:30 pm

CHATTANOOGA ENDOSCOPY CENTER

Lonnie Matthews
TN Department of Health, Joint Annual Report
Div. of Policy, Planning and Assessment
Cordell Hull Building, 6th Floor
425 5th Avenue, North
Nashville, TN 37243

RE: Notification of Inaccuracy on 2014 Joint Annual Report for Chattanooga Endoscopy Center (formerly "Digestive Disorders Endoscopy Center" – State ID: 33642)

Dear Mr. Matthews:

In an effort to achieve full disclosure and correctness, I am writing to inform you of an inaccuracy that was discovered within the 2014 Joint Annual Report for Chattanooga Endoscopy Center (formerly "Digestive Disorders Endoscopy Center" – State ID: 33642).

After review of the period and final reports, the following material inaccuracies were noted:

- Total number of cases performed in all Operating Rooms: 2,173 (*Correction: 2,332 cases actually performed)
- Total number of procedures performed in all Operating Rooms: 4,119 (*Correction: 2,949 procedures actually performed)

Although the amendment period may have passed, we are requesting that you make note in your files of these correct figures from those that were incorrect as reported by previous billing staff in an effort of transparency regarding this data entry.

Please do not hesitate to contact me should you require further clarification or information.

We appreciate your assistance.

Sincerely,

Jillian Wright
Board Chairperson, Chattanooga Endoscopy Center

SUPPLEMENTAL #1
June 22, 2015
12:58 pm

Reviewer's Table for Question 5a					
Year	C Need 1 *(table 5, p25)*	C Need 5 *(table 9A, p40)*	C Need 6 *(table 10, p43)*	Historical Data Chart *(p51)*	C, Economic Feasibility,6.B *table 12 (p55)*
2012	NA	2,215	2,215	2,280	NA
2013	NA	2,240	2,240	2,363	NA
2014	2,173	2,173	2,113	2,152	2,332
2015	4,968	NA	5,890	NA	NA

Applicant's Table Showing Corrections and Revisions in the Tables (Amended Case Data Shown in Bold)					
Year	C Need 1 *(table 5, p25)*	C Need 5 *(table 9A, p40)*	C Need 6 *(table 10, p43)*	Historical Data Chart *(p51)*	C, Economic Feasibility,6.B *table 12 (p55)*
2012		2,215 *FY data*	2,215 *FY data*	2,280 *CY data*	
2013		2,240 *FY data*	2,240 *FY data*	2,363 *CY data*	
2014	**2,332** *FY data*	**2,332** *FY data*	**2,332** *FY data*	2,152 *CY data*	**2,332** *FY data*
2015	4,968 *CY Run Rate*		5,890 *CY Projection*		

Notes:

1. The cases shown on the Historic Data Chart 2012-14 are calendar year data from AmSurg and have been verified to be correct.

2. The 2015 Table 5, p. 25 entry, 4,968 cases, is a "run rate" number illustrating the annualization of the April rate of 414 patients per month. It is not a utilization projection for the project. It only only illustrates the current monthly escalation of cases and their dramatic potential impact on annual utilization in future years.

3. The 2,173 cases in the reviewer's table for FYE 2014 (and the 2,113 which was a typographical error) were 2,173 patients CEC reported in its 2014 JAR. However, in preparing the application AmSurg discovered that there were 2,332 cases in FYE 2014. The bold entries in the table show those changes. This error has been reported to TDH; a copy of that letter is attached after the revised pages below.

5b. The applicant's projections appear to be based on the amounts affirmed by the physicians in the attachment. However, the 5 fold increase between 2013 and 2018 is based on only 3 months of hard data which follows what appears to be a 5.6% decrease from 2012-2014. As such, was any consideration given to waiting to file the proposal until a final 2015 utilization amounts to better support the projected utilization?

It was not. The large numbers of cases being requested by the additional medical staff made it clear to AmSurg that immediate action was needed to open a larger facility as soon as possible, no later than January 2017. The third room and expanded support areas were immediately made operational at the present location and demand for space has continued to escalate steeply, as shown in Table Five of the CON application.

5c. The historical & projected utilization in Table 10 on page 43 is noted. Please add columns to the table showing the number of physicians (by year) and the average # of cases per physician.

Table Ten-B (Supplemental): Chattanooga Endoscopy Center
Historical and Projected Utilization 2012-2018 (Calendar Year Case Data)

Calendar Year	Rooms	CY Cases	CY Cases Per Room	MD Staff	Av'ge CY Cases Per MD	Annual Utilization Based On AmSurg Optimal Cases of 2,500 / Rm	Percent of State Health Plan Optimal Cases of 1,867 / Rm	Percent of State Health Plan Full Capacity Cases of 2,667 / Rm
2012	2	2,280	1,140	3	760	45.6%	61.1%	42.7%
2013	2	2,363	1,182	3	788	47.3%	63.3%	44.3%
2014	2	2,152	1,076	4	538	43.0%	57.6%	40.3%
2015	3	5,890	1,963	14	421	78.5%	105.1%	73.6%
2016	3	7,500	2,500	15	500	100.0%	133.9%	93.7%
2017-Yr 1	5	11,442	2,288	15	763	91.5%	122.6%	85.8%
2018-Yr 2	5	11,542	2,308	15	769	92.3%	123.6%	86.5%

SUPPLEMENTAL #1
June 22, 2015
12:58 pm

5d. TDH has changed the format of the provider JAR to include the # of cases per operating room and procedure room. Please provider this breakout for existing multi-specialty ASCT facilities in the service area for the 2014 JAR reporting period.

Table 9-A(2) Supplemental--FYE 2014 Cases Per Surgical Room Multispecialty ASTC's in Project Primary Service Area

			FY Cases in Operating Rooms		FY Cases in Procedure Rooms	
ASTC	OR's	Procedure Rooms	FY Cases	FY Cases Per OR	FY Cases	FY Cases Per Room
Assoc. of Memorial/Mission	4	3	4,940	1,235	6,417	2,139
Physicians Surgery Center	4	2	2,356	589	1,028	514
Surgery Center of Cleveland	2	2	5,000	2,500	350	175
Total	10	7	12,296	1,230	7,795	1,114

Source: 2014 JARs

6. Section C, Need Item 3 (Service Area Demographics)

The service area is noted. With patient origin of Marion County residents at less than 5% of total projected patients in Year 1, why was this county included? Do some of the new physicians have office practices in Marion county, does the applicant maintain an active marketing presence in the county? Please clarify.

HSDA practice allows applicants flexibility to define a primary service area as counties contributing at least 80% to 85% of the project's patients, in most cases. As shown in Table Seven, page 35, exclusion of Marion County would have covered approximately 80% of the patients; whereas inclusion of Marion County covers almost 84%. So it was reasonably within the applicant's discretion. Marion County also contributes 1-2 patients per weekday, for a total of more than 3% of all patients. It seems reasonable to include it. That county looks to Chattanooga for most of its specialized medical needs.

7. Section C, Economic Feasibility Item 1 and Item 2

7a. Item 1- the Project Costs Chart is noted. Please provide a copy of the tax record for the existing 136,780 SF Riverside Business Center building that documents the calculations provided on page 46 pertaining to the estimated fair market value of the building for CON purposes.

The tax record is attached after this page.

7b. Item 2- the letter from the CFO of AmSurg is noted. Are the amounts and terms that apply to the AmSurg loan for the project contained in the amortization schedule of the spreadsheet that was also included in the attachment? Please clarify.

They are. The amortization schedule, at its top, indicates the amount at a loan term of 60 month at 5% interest. The schedule accompanied the CFO's funding commitment letter.

8. Section C. Economic Feasibility Item 4, Historical and Projected Data Charts
The charts are noted. Please address the items below:

8a. As noted, the utilization (cases) in the Historical Data Chart differs from other parts of the application such as Section C, Need, Item 5. Please clarify. In addition, the applicant also notes on page 55 that the utilization and gross charges is being amended in the 2014 JAR. While it is understood that it will not match the 2014 Historical Data Chart, please briefly describe what is being amended and why.

The differences were from providing fiscal and calendar year data (which differ) in various tables. Those differences have been identified and either clarified or amended in response to your question 5a above and in the four revised pages attached with that response. The Historic and Projected Data Charts showed only calendar year data and were correct.

Page 55 is among the four Table pages that were clarified or changed. It indicates that the applicant has notified the TDH of the need to change the FYE 2014 patients to 2,332, as shown in the revised table. Charge data does not need to be amended. A copy of that correspondence has been attached above.

Street Name: Riverside Street Number: 1501 Parcel Owner

Searching requires only one "complete" field, but entering more information will narrow your results. Click here for help.

Print Page 1 of 1

Click on the Column Headings to sort accordingly
Click on the Parcel ID to view the parcel detail

Parcel ID	Location	Owner	Year Built	Total Value	Square Footage	Description	Sale Date	Sale Price	Book Pa
136J A 002	1501 RIVERSIDE DR	TALLAN HOLDINGS CO	1946	$6,300,000	139,080	COMMERCIAL	5/6/1999		5348-06

Print Page 1 of 1

8b. Line 8.a – Management Fees to Affiliates – shows as $48,000 in the CY 2014 column of the Historical Data Chart but the Projected Data Chart is missing an amount for this line item in (although it does appear as $186,181 in the 2017 column of the detail for Other Expenses). Please clarify.

For consistency, attached following this page is a revised Projected Data Chart, page 52R, and a revised notes page 53R, moving the management fee from "other expenses" to line D8a. These pages contain some other very minor adjustments described in response to question 8d. below.

8c. Please also explain the reason for the 4 fold increase in Management fees from 2014 to Year 1. In your remarks, please explain why there is a separate operating cost for billing fees in lieu of this service being included as a part of AmSurg's management fee.

As part of the negotiation to accommodate the new physician owners, AMSURG agreed to dilute ownership from 51% to 35% and a renegotiation of the Management Services Agreement ensued. The management agreement in place at the time was a flat fee of $48,000/year. Due to the dilution from 51% to 35%, AMSURG no longer owns the majority of the entity. In order to ensure that services provided by AMSURG were provided at Fair Market Value, the management services agreement was amended and restated to clarify AMSURG's roles and responsibilities and compensation at 3% of Net Revenue. Because the management agreement will be a percentage of Net Revenue moving forward, it will fluctuate in sync with volume.

AMSURG provides the billing for CEC through a separate Billing Services Agreement at 3.75% of Net Revenue. Billing Services through AMSURG is not part of the standard management agreement, as the means of completing the billing is a Board decision at each facility's local level.

SUPPLEMENTAL #1
June 22, 2015
12:58 pm

8d. Review of the "Other Expenses" detail also revealed significant increases from 2014 to Year 1 (Projected) in amounts of $50,000 or more for several items. Please briefly explain the primary factors for each item noted in the table below.

Other Expense Item	2014 Cost	Year 1 Projected	Estimated Increase
Medical Specialist Fee	$12,000	$66,355	$54,355
Billing Services	$41,900	$231,722	$189,822
Contract Services	$18,438	$101,952	$83,514
Office Supplies	$22,501	$124,423	$101,923
Maintenance Scopes	$16,000	$68,713	$52,713

The only item that was incorrect in the Projected Data Chart--Other Expenses was the Medical Specialist Fee, which should have remained at $12,000. That has been corrected in the revised Projected Data Chart and Notes Page, pages 52R-53R, attached on the preceding pages.

The other expense items in your table will increase significantly, because they are a function of a variable such as case volume, square feet, net revenue, etc., all of which are expanding greatly. The billing service fee is 3.75% of net revenue. Contract services and office supplies were projected per SF. Scope maintenance will increase with the additional procedure rooms which require additional sets of scopes.

9. Section C, Orderly development, Item 7.c

The current licensure by TDH is noted. Review of the May 2014 licensure survey revealed no acceptance letter from TDH for the applicant's plan of correction. Please provide a copy of the letter confirming the applicant's plan of correction was approved.

The TDH approval letter is attached after this page.

June 22, 2015
12:58 pm

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
OFFICE OF HEALTH LICENSURE AND REGULATION
EAST TENNESSEE REGION
7175 STRAWBERRY PLAINS PIKE, SUITE 104
KNOXVILLE, TN 37914

August 6, 2014

Ms. Kristi Ballard, R.N., Administrator
Digestive Disorders Endoscopy Center
2341 McCallie Avenue
Plaza 3, Suite 303
Chattanooga, TN 37404

Provider # 44-C0001076

Dear Ms. Ballard:

The East Tennessee Regional Office of Health Care Facilities conducted a recertification survey on May 27 – 29, 2014. A Health desk review of your plan of correction for the deficiencies cited as a result of the survey was conducted on July 3, 2014. Fire Safety on-site visit was conducted on July 29, 2014. Based on the reviews, we are accepting your plan of correction and your facility is in compliance with all participation requirements as of July 13, 2014.

If you should have any questions, please contact the East Tennessee Regional Office at (865) 594-9396.

Sincerely,

Karen B. Kirby

Karen B. Kirby, R.N.
Regional Administrator
East TN Health Care Facilities

KBK:cvb

SUPPLEMENTAL #1
June 22, 2015
12:58 pm

10. Proof of Publication

Although referenced in the application, a publisher's affidavit or copy of the newspaper page containing the LOI with date and mast intact was omitted from the application. Please provide this information to confirm publication of the LOI in a newspaper of general circulation in the service area.

Proof of publication is attached following this page.

Thank you for your assistance. We hope this provides the information needed to accept the application into the next review cycle. If more is needed please FAX or telephone me so that we can respond in time to be deemed complete.

Respectfully,

John Wellborn

John Wellborn
Consultant

1812879542
AMSURG

June 22, 2015
12:58 pm

STATE OF TENNESSEE
HAMILTON COUNTY

Before me personally appeared Jim Stevens who being duly sworn, that he is the Legal Sales Representative of the "CHATTANOOGA TIMES FREE PRESS" and that the Legal Ad of which the attached is a true copy, has been published in the above said Newspaper and on the website on the following dates, to-wit:

June 9, 2015

And that there is due or has been paid the "CHATTANOOGA TIMES FREE PRESS" for publication of such notice the sum of $383.36 Dollars. (Includes $10.00 Affidavit Charge).

Jim Stevens

Sworn to and subscribed before me, this 9th day of June, 2015.

Amanda Crawford

My Commission Expires 10/17/2018

AMANDA CRAWFORD
STATE OF TENNESSEE NOTARY PUBLIC
HAMILTON COUNTY
MY COMMISSION EXPIRES OCTOBER 17, 2018

Chattanooga Times Free Press

NOTIFICATION OF INTENT
TO APPLY FOR A CERTIFICATE OF NEED

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that the Chattanooga Endoscopy Center (an ambulatory surgical treatment center, formerly named the Digestive Disorders Endoscopy Center), owned by The Chattanooga Endoscopy ASC, LLC (a limited liability company), and managed by AmSurg Corp (a corporation) intends to file an application for a Certificate of Need to relocate from 2341 McCallie Avenue Plaza 3, Suite 303, Chattanooga, TN 37404, to the Riverside Business Center at 1501 Riverside Drive, Suite 117, Chattanooga, TN 37406, a distance of approximately 3 miles, and to expand its surgical room complement from three (3) procedure rooms to five (5) procedure rooms, with a sixth room shelled in for potential future expansion. The project cost under CON rules is estimated at approximately $8,624,000, which includes space lease payments for fifteen years and the value of equipment being relocated.

This facility is currently licensed by the Board for Licensing Health Care Facilities as a single specialty ambulatory surgical treatment center limited to endoscopy. The relocation will not change the facility's license classification. The project does not contain major medical equipment or initiate or discontinue any other health service; and it will not affect any facility's licensed bed complements.

The anticipated date of filing the application is on or before June 15, 2015. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:
Tennessee Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243
Pursuant to TCA Sec. 68-11-1607(c)(1): (A) any health care institution wishing to oppose a Certificate of Need application must file a written objection with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled, and (B) any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

38784308

SUPPLEMENTAL #1
June 22, 2015
12:58 pm

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

NAME OF FACILITY:
Chattanooga Endoscopy Center

I, JOHN WELLBORN, after first being duly sworn, state under oath that I am the lawful agent of the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge.

John L Wellborn
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 22 day of JUNE, 2015, witness my hand at office in the County of DAVIDSON, State of Tennessee.

NOTARY PUBLIC

My commission expires 01-11, 2017.

TIFFANY B. POULOSE
NOTARY PUBLIC
STATE OF TENNESSEE
DAVIDSON COUNTY
MY COMMISSION EXPIRES 1-11-2017

HF-0043

Revised 7/02

Memorial + Mission
SURGERY CENTER

June 15, 2015

Dr. Alan Shikoh
721 Glenwood Drive
Suite W-473
Chattanooga, TN 37404

This letter serves as formal notification that Memorial Mission Surgery Center's last day of business operations will be June 26, 2015. The facility will become a hospital outpatient department of CHI Memorial Hospital (the "HOPD") effective June 29, 2015. As of June 29, 2015, the Bylaws and Rules & Regulations of CHI Memorial Hospital will become effective with respect to services performed in the HOPD. If you need a copy of these documents, please call the Medical Staff Office at (423) 495-8604.

In connection with the HOPD transition, there will be no interruption of your current clinical privileges, and your Credentials & Quality files will be maintained by the CHI Memorial Hospital Medical Staff Office. Your reappointment date will remain the same as in the past, in accordance with the TPQVO schedule.

Memorial Mission Surgery Center will continue to schedule and provide surgical care through June 26, 2015. Any cases currently scheduled after June 26, 2015, will fall under the CHI Memorial Hospital guidelines.

To schedule surgical cases to be performed after June 26, 2015, please contact the Memorial Hospital Surgery Scheduling Department at (423) 495-7720. Alternatively, if you currently have block time, you may setup a process to schedule cases via fax. All other scheduling needs will continue to go through Community Wide Scheduling at (423) 495-6000. Should you have any questions, please contact Amanda Edwards at (423) 495-4509 or via email at Amanda_Edwards@Memorial.org.

Thank you for your past support of Memorial Mission Surgery Center.

Sincerely,

Brent A. McLean
Administrator

LETTER OF INTENT -- HEALTH SERVICES & DEVELOPMENT AGENCY

The Publication of Intent is to be published in the Chattanooga Times Free Press, which is a newspaper of general circulation in Hamilton County, Tennessee, on or before Tuesday, June 9, for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. Sections 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that the Chattanooga Endoscopy Center (an ambulatory surgical treatment center, formerly named the Digestive Disorders Endoscopy Center), owned by The Chattanooga Endoscopy ASC, LLC (a limited liability company), and managed by AmSurg Corp (a corporation) intends to file an application for a Certificate of Need to relocate from 2341 McCallie Avenue Plaza 3, Suite 303, Chattanooga, TN 37404, to the Riverside Business Center at 1501 Riverside Drive, Suite 117, Chattanooga, TN 37406, a distance of approximately 3 miles, and to expand its surgical room complement from three (3) procedure rooms to five (5) procedure rooms, with a sixth room shelled in for potential future expansion. The project cost under CON rules is estimated at approximately $8,624,000, which includes space lease payments for fifteen years and the value of equipment being relocated.

This facility is currently licensed by the Board for Licensing Health Care Facilities as a single specialty ambulatory surgical treatment center limited to endoscopy. The relocation will not change the facility's license classification. The project does not contain major medical equipment or initiate or discontinue any other health service; and it will not affect any facility's licensed bed complements.

The anticipated date of filing the application is on or before June 15, 2015. The contact person for the project is John Wellborn, who may be reached at Development Support Group, 4219 Hillsboro Road, Suite 210, Nashville, TN 37215; (615) 665-2022.

John L. Wellborn 6-9-15 jwdsg@comcast.net

(Signature) (Date) (E-mail Address)

CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF POLICY, PLANNING AND ASSESSMENT
615-741-1954

DATE: August 31,2015

APPLICANT: Chattanooga Endoscopy Center
2341 McCallie Avenue, Plaza 3, Suite 303
Chattanooga, Tennessee

CN1506--024

CONTACT PERSON: John Wellborn, Consultant
Development Support Group
4219 Hillsboro Road, Suite 210
Nashville, Tennessee 37215

COST: $8,623,911

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Chattanooga Endoscopy Center, currently located at 2341 McCallie Avenue Plaza 3, Suite 303. Chattanooga, Tennessee 37406, seeks Certificate of Need (CON) approval to relocate to the Riverside Business Center at 1501 Riverside Drive, Suite 117, Chattanooga, Tennessee 37406, and expand from three procedure rooms to five procedures rooms, with a sixth room shelled in for future potential expansion. Pre and post-operative stations will also be expanded, as well as support spaces. Chattanooga Endoscopy Center was formally known as Digestive Disorders Endoscopy Center.

This project involves 17,510 square feet of space at a renovated cost of $3,464,500, or $197.86 per square feet.

Chattanooga Endoscopy Center, ASC, LLC has thirteen members. AmSurg Corp, the majority member of the facility, has a 35% membership interest. Twelve of the fifteen gastroenterologists share the remaining 65% interest in approximately equal percentages. AmSurg has a management contract with the facility.

Attachment A.4 contains an organization chart and information on Tennessee facilities owned by AmSurg.

The total estimated project cost is $8,623,911 ($5,853,848 actual capital cost), which will be financed through a commercial loan from AmSurg.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan.*

NEED:
The applicant's service area includes Bradley, Hamilton, and Marion counties in Tennessee, and Catoosa and Walker counties in Georgia. The 2015-2019 population projections for the counties in Tennessee are as follows:

	2015 Population	2019 Population	% of Increase/ (Decrease)
Bradley	104,364	108,511	4.0%
Hamilton	349,273	354,610	1.5%
Marion	28,652	29,125	1.7%
Total	482,289	492,246	2.7%

Tennessee Population Projections 2000-2020, June 2010 Revision, Tennessee Department of Health, Division of Health Statistics

Chattanooga Endoscopy Center (CEC) has operated for seventeen years at its current location near Parkridge Hospital. The facility has three procedure rooms and performs only endoscopy cases. CEC has increased its practice from four to fifteen gastroenterologists and is nearing capacity. The applicant states it does not have the capacity for more than 66% of the cases its physicians are asking to perform.

The newly expanded medical staff is requesting a capacity to perform 11,442 cases at CEC. The capacity at the current location will allow only 7,500 cases. CEC proposes to relocate and increase the number of procedure rooms to five with a sixth procedure room shelled in. The facility will be located in a 17,510 square foot facility that will see an increase in preparation and recovery areas from its current 5 pre-op and 8 recovery stations to 11 pre-op stations and 12 recovery stations.

Earlier in 2015, the applicant reports a large number of gastroenterology practices began to concentrate a large portion of their outpatient cases at CEC, where they have a majority (65%) membership in the LLC that owns the facility. The proposed 11,442 cases these gastroenterologists project will exceed the current capacity of the 17 year old, three room facility.

CEC states their physicians have estimated that out of the more than 20,000 outpatient endoscopies they are already performing annually in Chattanooga, they need to perform 11,442 cases at CEC in 2017. Currently, CEC's three procedure rooms will have difficulty exceeding 2,500 cases per room.

CEC provides a chart on page 9, Supplemental 1, illustrating the historical and projected utilization each year, the number of cases and cases per room, the number of physicians, and average cases per physician.

Single Specialty Endoscopy Centers in the Service Area

Facility	Operating Rooms	Cases	Cases per OR	Procedure Rooms	Cases	Cases per Room
Digestive Disorders Endoscopy Center	**0**	**0**	**0**	**2**	**2,332**	**1,166**

Source: *Joint Annual Report of Ambulatory Surgical Treatment Centers 2014,* Tennessee Department of Health Division of Health Statistics

The applicant is the only single specialty ASTC dedicated to endoscopy cases in the service area. In 2014, Digestive Disorders Endoscopy Center performed 1,166 cases per room.

This proposed facility would create the largest gastroenterology facility in this region of Tennessee, which offers economies of scale that will permit quality-controlled outcomes. The applicant believes this type facility is needed in a healthcare economy where payors and patients are seeking

changes.

CEC now has five new medical staff who have been owners and practitioners until recently at Associates of Memorial/Mission Outpatient Surgery Center that is now owned by Memorial Hospital. There is an orderly relocation of most of the outpatient endoscopy cases to other outpatient facilities. AmSurg and CEC have committed to provide a location for 15 of its gastroenterologists' cases going forward.

Currently there are 3 multi-specialty ASTCs in the service area that provide endoscopy services.

Service Area Multispecialty Ambulatory Surgical Centers Performing Endoscopies

Facility	Operating Rooms	Cases	Cases per OR	Procedure Rooms	Cases	Cases per Room
Physicians Surgery Center of Chatt.	4	2,356	589	2	1,028	514
The Surgery Center of Cleveland	2	5,000	2,500	1	350	175
Associates of Memorial/Mission	4	4,940	1,235	3	6,417	2,139
Total	**10**	**12,296**	**1,230**	**6**	**7,795**	**1,299**

Source: *Joint Annual Report of Ambulatory Surgical Treatment Centers 2014,* Tennessee Department of Health Division of Health Statistics

Note to Agency Members: Digestive Disorders Center Endoscopy changed their name to Chattanooga Endoscopy Center on Jun 1, 2015. In addition, a third procedure room was added in 2015.

Digestive Disorders Endoscopy Center submitted a correction to their 2014 Joint Annual Report on June 22, 2015 changing the total number of cases reported from 2,173 to 2,332.

As of June 29, 2015, Associates of Memorial/Mission Outpatient Surgery Center became a hospital outpatient department of CHI Memorial Hospital.

The total number of cases performed in the service area by the three facilities above is 22,423, or 1,246 cases per room.

Service area multispecialty ASTCs performed the following endoscopy cases in 2014:

Facility	Endoscopy Cases
Physicians Surgery Center of Chatt.	552
The Surgery Center of Cleveland	2,005
Associates of Memorial/Mission	6,417
	8,974

Source: *Joint Annual Report of Ambulatory Surgical Treatment Centers 2014,* Tennessee Department of Health Division of Health Statistics

CEC projects 11,442 and 11,542 cases in 2017 and 2018 t the new location.

TENNCARE/MEDICARE ACCESS:
CEC participates in the Medicare and TennCare programs. The applicant contracts with United Healthcare Community Plane, BlueCare, TennCare Select, and Georgia Medicaid. CEC has a contract request pending with AmeriGroup.

Gross revenues from Medicare are projected to be $6,939,232 or 32% of total gross revenues and projected Medicaid gross revenues of $1,084,255 or 5% of total gross revenues in year one.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:
The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

Project Costs Chart: The Project Costs Chart is located on page 47 of the application. The total project cost is $8,623,911.

Historical Data Chart: The Historical Data Chart is located on page 51 of the application. The applicant reported 2,280, 2,363, and 2,332 cases (amended) in years 2012, 2013, and 2014, with net operating revenues of $303,414, $195,801, and $99,388.

Projected Data Chart: The Projected Data Chart is located in Supplemental 1, on page 52R. CEC projects 11,442 and 11,542 in years one and two, with net operating revenues of $767,919 and $781,079 each year, respectively.

The applicant provided the average charges, deductions, net charge, and net operating income below.

	CY2017	**CY2018**
Cases	11,442	11,542
Average Gross Charge Per Case	$1,895	$1,914
Average Deduction Per Case	$1,353	$1,366
Average Net Charge	$542	$548
Average Net Charge Per Case	$160	$160

CEC is the only dedicated endoscopy ASTC in the service area. As a result, CEC compared their charges with Nashville and Knoxville endoscopy centers on page 55R in Supplemental 1. The most frequent procedure surgical procedures and average gross charges are located on page 56 of the applications.

The applicant investigated expanding at their current location but there was not space available. Memorial Health System invited the applicant to consider leasing the space now occupied by Memorial/Mission ASTC, and a second space on their campus; but neither space was appropriately sized and the cost of the lease was prohibitively high.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:
The applicant has transfer agreements with TriStar Parkridge Medical Center and Memorial Health System.

CEC believes this project will be beneficial to the healthcare system. Patients will have easier access with adequate parking and to the endoscopy center. Costs for the healthcare system and consumer will be lowered by moving cases from a hospital setter to an ASTC setting.

The applicant projects that the first year in the new location they will perform 11,442 cases; most of which will come from the cases performed at Associates of Memorial/Mission ASTC. Some cases will also be relocated from Memorial Healthcare System.

CEC currently has 17.0 FTEs, and by year one of the will have 30.0 FTEs. They provide a listing of the current and projected staffing on page 62 of the application.

The applicant is licensed by the Tennessee Department of Health, Board of Licensing Healthcare Facilities, and accredited by the American Association for Ambulatory Healthcare (AAAHC).

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan.*

AMBULATORY SURGICAL TREATMENT CENTERS

Determination of Need

1. **Need.** The minimum numbers of 884 Cases per Operating Room and 1,867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1,867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to specific type or types should apply for a Specialty ASTC.

   The endoscopic cases to be performed in this proposed facility will average 2,228 cases per room, with five rooms.

2. **Need and Economic Efficiencies.** An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

   AmSurg has extensive experience operating and managing ASTCs and operates the nation's largest system of ASTCs. The average time for an endoscopy is 25 minutes and average turnaround/cleanup is 10 minutes in years one and two.

3. **Need; Economic Efficiencies; Access**. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available) OR, all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated

outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

Single Specialty Endoscopy Centers in the Service Area

Facility	***Operating Rooms***	***Cases***	***Cases per OR***	***Procedure Rooms***	***Cases***	***Cases per Room***
Digestive Disorders Endoscopy Center	***0***	***0***	***0***	***2***	***2,332***	***1,166***

Source: Joint Annual Report of Ambulatory Surgical Treatment Centers 2014, Tennessee Department of Health Division of Health Statistics

Currently there are 3 multi-specialty ASTCs in the service area that provide endoscopy services.

Service Area Multispecialty Ambulatory Surgical Centers Performing Endoscopies

Facility	***Operating Rooms***	***Cases***	***Cases per OR***	***Procedure Rooms***	***Cases***	***Cases per Room***
Physicians Surgery Center of Chatt.	*4*	*2,356*	*589*	*2*	*1,028*	*514*
The Surgery Center of Cleveland	*2*	*5,000*	*2,500*	*1*	*350*	*175*
Associates of Memorial/Mission	*4*	*4,940*	*1,235*	*3*	*6,417*	*2,139*
Total	***10***	***12,296***	***1,230***	***6***	***7,795***	***1,299***

Source: Joint Annual Report of Ambulatory Surgical Treatment Centers 2014, Tennessee Department of Health Division of Health Statistics

The applicant is the only single specialty ASTC dedicated to endoscopy cases in the service area. In 2014, Digestive Disorders Endoscopy Center performed 1,166 cases per room.

4. **Need and Economic Efficiencies**. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

Single Specialty Endoscopy Centers in the Service Area

Facility	***Operating Rooms***	***Cases***	***Cases per OR***	***Procedure Rooms***	***Cases***	***Cases per Room***
Digestive Disorders Endoscopy Center	***0***	***0***	***0***	***2***	***2,332***	***1,166***

Source: Joint Annual Report of Ambulatory Surgical Treatment Centers 2014, Tennessee Department of Health Division of Health Statistics

Currently there are 3 multi-specialty ASTCs in the service area that provide endoscopy services.

Service Area Multispecialty Ambulatory Surgical Centers Performing Endoscopies

Facility	***Operating Rooms***	***Cases***	***Cases per OR***	***Procedure Rooms***	***Cases***	***Cases per Room***
Physicians Surgery Center of Chatt.	*4*	*2,356*	*589*	*2*	*1,028*	*514*
The Surgery Center of Cleveland	*2*	*5,000*	*2,500*	*1*	*350*	*175*
Associates of Memorial/Mission	*4*	*4,940*	*1,235*	*3*	*6,417*	*2,139*
Total	***10***	***12,296***	***1,230***	***6***	***7,795***	***1,299***

Source: Joint Annual Report of Ambulatory Surgical Treatment Centers 2014, Tennessee Department of Health Division of Health Statistics

5. Need and Economic Efficiencies. An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

The applicant will perform only outpatient gastroenterology cases, and only in procedure rooms. The average time for an endoscopy is 25 minutes and average turnaround/cleanup is 10 minutes in years one and two.

Other Standards and Criteria

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

The applicant complies with this criterion.

7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.

The applicant complies with this criterion.

8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The applicant is the only single specialty ASTC dedicated to endoscopy cases in the service area. In 2014, Digestive Disorders Endoscopy Center performed 1,166 cases per room.

The applicant's service area is Hamilton, Bradley, and Marion counties in Tennessee, and Walker and Catoosa counties in Georgia. The applicant complies with these criteria.

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

The applicant is the only single specialty ASTC dedicated to endoscopy cases in the service area. In 2014, Digestive Disorders Endoscopy Center performed 1,166 cases per room.

The year one and two utilization is projected to be 11,442 and 11,542 cases, each year respectively.

The applicant projects in year one, Q1-2860 cases, Q2-2860, Q3-2861 cases and Q4-2861 cases. In year two, the applicant projects Q1-2885 cases, Q2-2885 cases, Q3-2885 cases and Q4-2885 cases.

10. Patient Safety and Quality of Care; Health Care Workforce.
a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

The applicant is already AAAHC accredited and will remain so.

b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

The medical staff consists of Gastroenterologists, 15 Board Certified in Internal Medicine and Gastroenterology. Attachment C-Need—1.A. contains documentation of appropriate anesthesiology coverage.

11. Access to ASTCs. In light of Rule 0720-11.01, this lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care," the HSDA may decide to give special consideration to an applicant:

a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration.

All five counties in the applicant's service area are MUA.

b. Who is a "safety net hospital" or a "children's hospital" as defined by the Bureau of TennCare Essential Access Hospital payment program;

Not applicable.

c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

The applicant contracts with United Healthcare Community Plane, BlueCare, TennCare Select, and Georgia Medicaid. CEC has a contract request pending with AmeriGroup.

d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times? The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

CONSTRUCTION, RENOVATION, EXPANSION, AND REPLACEMENT
OF
HEALTH CARE INSTITUTIONS

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

   Not applicable.

2. For relocation or replacement of an existing licensed health care institution:

   a. The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.

      Expansion is not possible at the current site.

   b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.

      The newly expanded medical staff is requesting a capacity to perform 11,442 cases at CEC. The capacity at the current location will allow only 7,500 cases. CEC proposes to relocate and increase the number of procedure rooms to five with a sixth procedure room shelled in. CEC now has five new medical staff who have been owners and practitioners until recently at Associates of Memorial/Mission Outpatient Surgery Center that is now owned by Memorial Hospital. There is an orderly relocation of most of the outpatient endoscopy cases to other outpatient facilities.

   For renovation or expansions of an existing licensed health care institution:

   a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

   b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

      Not applicable.